



Global Digital
Transformation Partner

transcosmos inc.

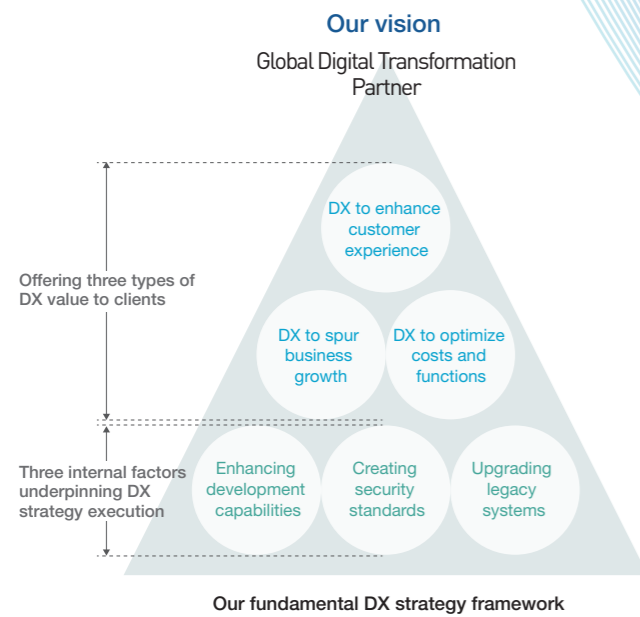
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Integrated Report 2023



Creating DX Value as a **Global** Digital Transformation **Partner**

With people & technology as the origin of its business, transcosmos is aiming to become the Global Digital Transformation Partner that helps to improve the productivity and brand value of clients. Guided by our Fundamental Management Philosophy – Client satisfaction is the true value of our company, and the growth of each of our employees creates the value that shapes our future – we will create DX value by implementing our fundamental DX strategy framework.



People & Technology
The origin of our business

Fundamental Management Philosophy

Management Goals

Client satisfaction is the true value of our company, and the growth of each of our employees creates the value that shapes our future.

Commitment to our clients

- ▶ We will continue to stay on top of the latest technology trends and continue to deliver quality and valuable services by uniting people and technology.
- ▶ We will build solid partnerships with our clients based on trust.

Commitment to our employees

- ▶ The limitless potential of our employees is our greatest resource and we will support the education and training needed for each employee's growth.
- ▶ We will provide opportunities fairly, and will match compensation and new growth opportunities to demonstrated results and ability.

Commitment to society and our shareholders

- ▶ We strive to raise shareholder value and contribute to the progress of society by growing our business.

Editorial policy

transcosmos inc. publishes this Integrated Report to communicate with investors, shareholders and all other stakeholders in an easy-to-understand manner about its business activities and efforts aimed at enhancing corporate value, and to serve as a starting point for constructive dialogue. In editing this report, the Company referred to various guidelines, including the Integrated Reporting Framework developed by the IFRS Foundation and Guidance for Integrated Corporate Disclosure and Company-Investor Dialogues for Collaborative Value Creation published by Japan's Ministry of Economy, Trade and Industry. We hope this report will deepen stakeholder understanding about the transcosmos Group.

Period and companies covered by this report

Period: April 1, 2022 to March 31, 2023

Companies: transcosmos inc. and 104 Group companies

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We will increase corporate value by reinforcing sustainability management and by transforming our business model to accelerate growth.

One-stop DX services that optimize all client business processes

Our vision at transcocosmos is to be the Global Digital Transformation Partner. transcocosmos works with approximately 3,500 clients in 28 countries and regions, including Japan, across many different industries. We continue to evolve into a partner for these global clients, a true partner who works together and helps achieve their digital transformation (DX).

The DX challenges and needs of our clients are constantly changing. Many have told us they worked on DX for some time, but partial digitization and phased implementation did not deliver the expected results. Also, that digitization of only some parts of their operations led to fragmented business processes. Our one-stop services allow us to deliver value to clients facing these types of challenges. By introducing end-to-end digital solutions from marketing to customer service, we can provide fully optimized DX across client operations, helping to increase their corporate value. One of transcocosmos's strengths is its 16 business domains covering all front- and back-office processes, which specialist

vendors in the contact center and website development sectors do not have.

Also, achieving true DX does not stop with introducing digital tools – they also need to be constantly updated to keep pace with change. At transcocosmos, the key to ensuring our clients adapt and continually improve is our “people & technology” – a combination of our highly skilled professionals and cutting-edge technologies.

Universal things that do not change. Origins of “people & technology” and our philosophy of “operational excellence”

“People & technology” is the origin of our business. We provide high value-added services by combining talented “people” with the world’s most advanced “technology” to tackle and solve challenges faced by clients. Guided also by our philosophy of “operational excellence,” we help clients optimize their business processes to give them a competitive advantage. These two elements of our business have remained constant, even as the Group has expanded into a wider range of fields, and they will remain universal to our approach in the future.

Targeting further growth as a Technology Solutions Company under our new co-president structure

Our latest medium-term business plan, which launched in FY2024/3 and ends in FY2026/3, has three key objectives: evolve into a Technology Solutions Company, become a top-five global CX/BPO services player, and a company that contributes to society by meeting stakeholder expectations. In April 2023 we launched a new co-president structure with Masaaki Muta and Takeshi Kamiya as the Company’s representative directors & co-presidents. Masaaki Muta provides a business perspective from his long experience in leadership roles at Group companies and the parent company, and Takeshi Kamiya provides an investor perspective from his time as Head of Corporate Management Headquarters, when he communicated regularly with investors and other stakeholders. This collaborative structure is underpinned by a commitment from both co-presidents to deliver profitable growth and increase corporate value.

Reinforcing sustainability management as the foundation for value creation: addressing climate change and appointing a female outside director

transcocosmos is working to strengthen sustainability management while also generating profits. In terms of environmental steps, on March 1, 2023 we disclosed information in line with the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD). On the social front, we are upgrading and expanding diversity and inclusion (D&I) initiatives to diversity, equity and inclusion (DE&I) initiatives, aiming to create workplace environments that are motivating for all people, regardless of gender, nationality and disability. Also, to reinforce governance, we welcomed Miwa Tsurumori as our female outside director in June 2023. I believe these sustainability management initiatives will underpin transcocosmos's value creation, translating into medium- and long-term growth.

I hope we can count on your continued support as we strive to meet the high expectations of all stakeholders through fruitful and candid dialogue.

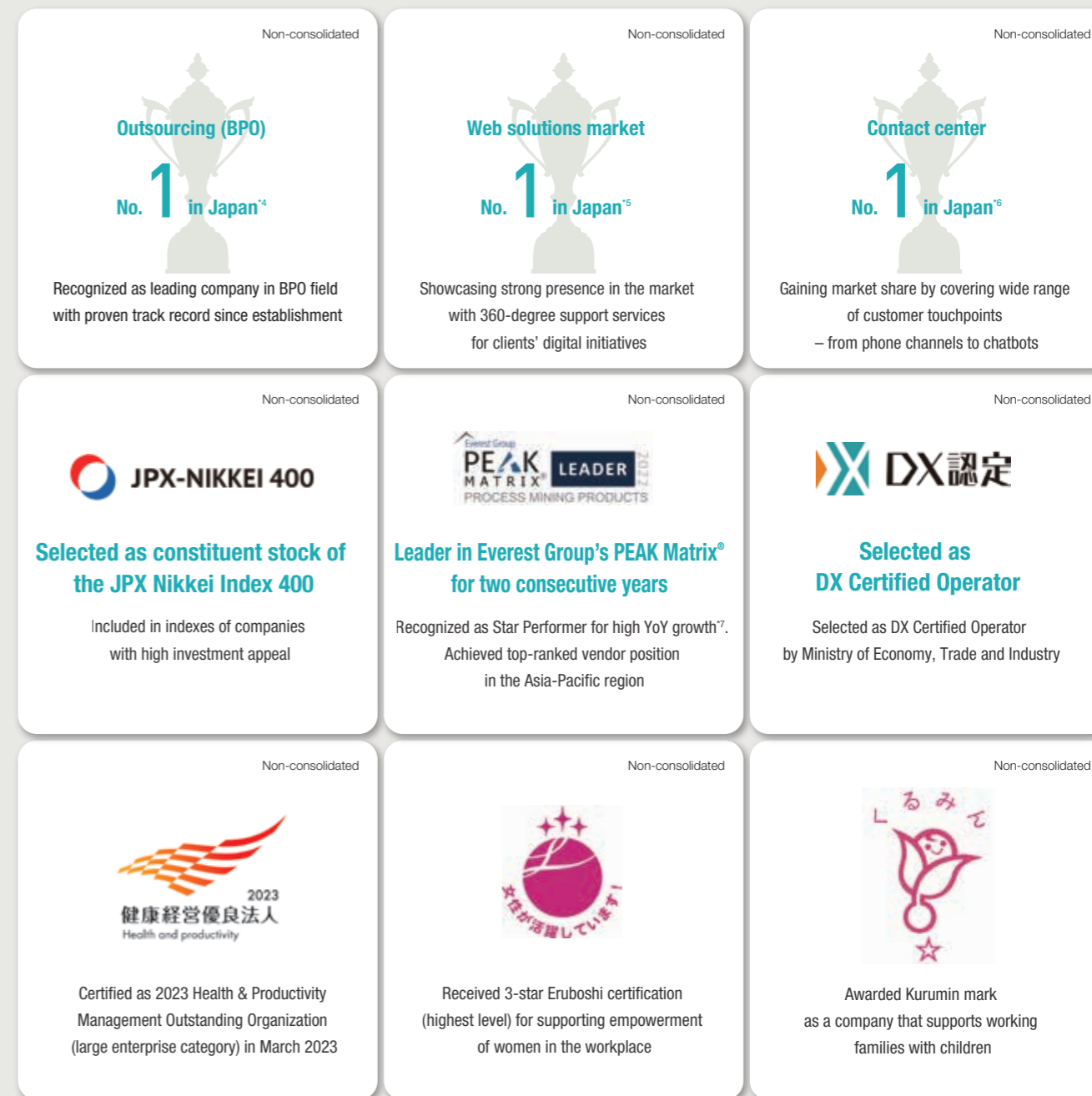
Widely recognized for our role in accelerating DX worldwide

transcosmos provides a range of DX services to around 3,500 client companies worldwide in the financial, public and information services sectors, earning recognition in Japan and overseas as a DX company. transcosmos was again selected as a constituent of the JPX Nikkei Index 400 for FY2024/3 after being included in FY2023/3.

Our business base as a DX company



Market valuation, inclusion in indices, accreditation



Data for FY2023/3 or as of March 31, 2023, unless otherwise stated
^{*1} Net sales by business domain: Sales in internet advertising business calculated based on transaction volume ^{*2} Net sales (overseas): Based on location of clients and classified by country or region
^{*3} Data for subsidiary transcosmos analytics Inc. ^{*4} Source: Japanese Company Quarterly Handbook Industry Map 2024, Toyo Keizai Inc. ^{*5} Source: Total for Company and subsidiary J-Stream Inc. compiled from Online Advertising & Web Solution Markets: Current State and Outlook 2023, Deloitte Tohmatsu MIC Economics Research Paper (<https://mic-r.co.jp/mr/02860/>) English translation not available
^{*6} Source: FY2022 Call Center Sales Ranking, TSUHAN SHIMBUNSYA ^{*7} Source: Service Provider Landscape with PEAK Matrix[®] Assessment 2022, Everest Group

Delivering “customer satisfaction first” anchored by people & technology

1966

Founded as BPO pioneer in large computing machine era

Maruei Keisan Center launched a new onsite service approach, dispatching employees to perform data entry work at client offices. At a time when data entry work was generally conducted offsite, this method of processing confidential information onsite attracted growing interest from companies as the “Maruei style.” On the back of this success, Maruei Keisan Center became known as Japan’s data entry company.

This “Maruei style” pioneered today’s business process outsourcing (BPO) models, with transcosmos now the market leader in BPO services in Japan and Asia.

2010-

Launched CX services, growing into a Japanese global DX company

As the internet became part of people’s lives, touchpoints between businesses and their customers became more diverse. This prompted transcosmos to launch CX services linking digital marketing and contact centers to help clients adapt to the changing landscape. We put in place a framework to provide these services to a range of industries, including finance, retail and information & communication, resulting in industry-leading sales worldwide in contact center services. We also accelerated the rollout of high-value-added services based on our home-grown digital technology into global markets, expanding the Group’s business presence in China, South Korea, Southeast Asia, Europe and the Americas.

1985-

Pivoted to integrated information services, bringing world’s leading IT technologies to Japan

transcosmos inc. was established in 1985, targeting growth as an integrated information services company just as use of PCs was taking off in the business world. Offices were opened in the US to identify the latest IT trends. This helped us win a contract to provide customer support outsourcing services to the top PC manufacturer in the US at the time, leading to major outsourcing contracts with major PC makers in Japan. The customer support services launched in this period underpin our contact centers and IT outsourcing businesses today.

2022-

Transformation into a DX partner supporting social infrastructure

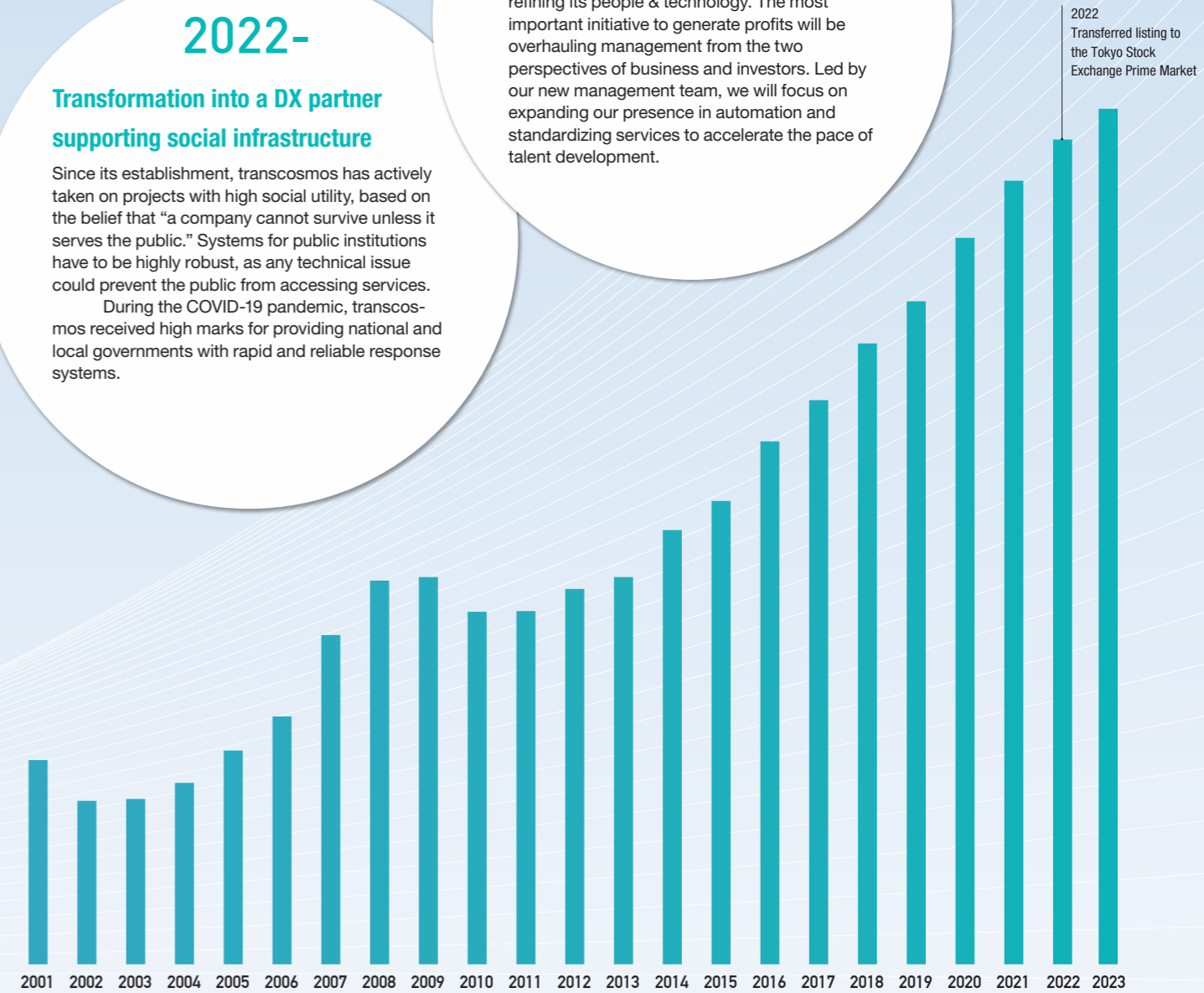
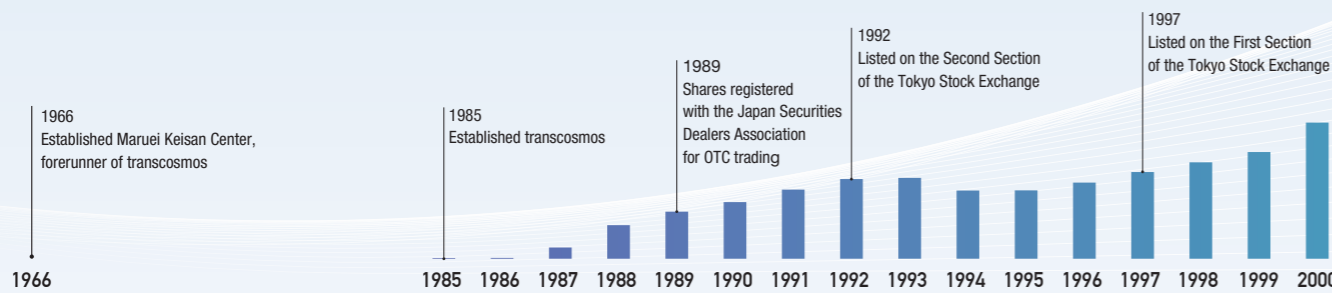
Since its establishment, transcosmos has actively taken on projects with high social utility, based on the belief that “a company cannot survive unless it serves the public.” Systems for public institutions have to be highly robust, as any technical issue could prevent the public from accessing services.

During the COVID-19 pandemic, transcosmos received high marks for providing national and local governments with rapid and reliable response systems.

2023-

Accelerating growth as a Technology Solutions Company

transcosmos plans to accelerate growth as a Technology Solutions Company by further refining its people & technology. The most important initiative to generate profits will be overhauling management from the two perspectives of business and investors. Led by our new management team, we will focus on expanding our presence in automation and standardizing services to accelerate the pace of talent development.



1960- Large computing machine era	1980- Downsizing era	1990- PC era	2000- Internet era	2010- Smartphone and e-commerce era	Present AI and IoT era
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*Bar graph shows net sales

One-stop CX Services and BPO Services across 16 business domains

One of transcosmos's strengths is its ability to provide global, one-stop services across 16 business domains, with CX Services that deliver the best-possible customer experience and BPO Services that boost client productivity.

We help clients increase sales and optimize costs by providing digital marketing services backed by one of the largest web production teams in Asia; one-stop e-commerce services in 46 countries and regions around the world; contact center services with 30-language support via one of Asia's most extensive support networks; and BPO Services – our legacy business, which has the leading market share in Japan.



CX

Digital marketing services

Total support, from online promotion to website development, to operations and analytics, backed by 3,000 members – Asia's largest network

- Blended delivery model using onsite, offshore bases across Asia and nearshore bases
- Optimum services tailored to each industry and business model built on extensive experience and know-how from working with over 600 companies each year
- Cutting-edge services, such as ad-tech marketing automation, services for LINE/other social media, and integrated marketing using CDP

E-commerce one-stop services

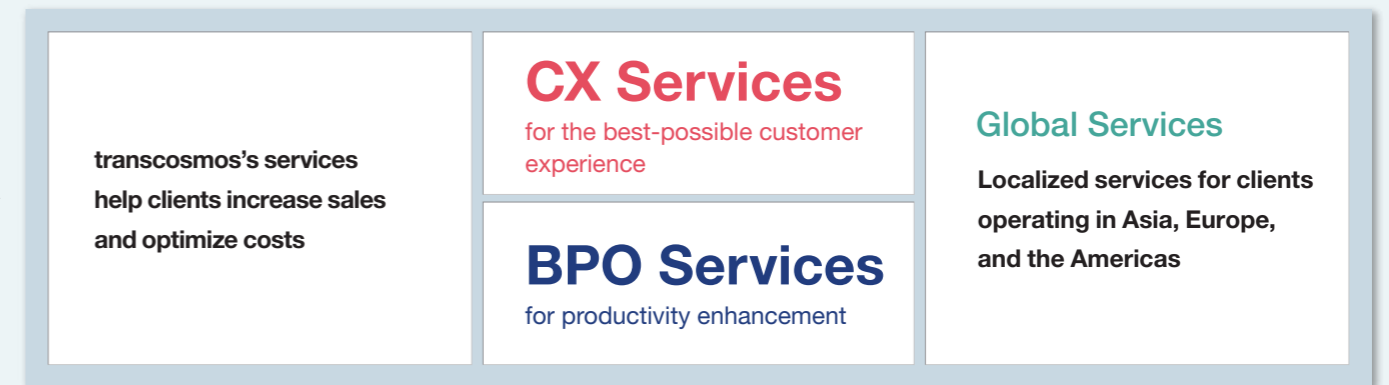
One-stop services for all areas of e-commerce businesses tailored to clients' e-commerce and brand strategies

- A presence in 46 countries and regions, with a focus on e-commerce growth markets
- Support for e-commerce business deployment tailored to the characteristics/culture of target markets through partnerships with leading firms in Europe, US, China and ASEAN
- Full-package support for e-commerce operations, from system development to operation

Contact center services

Optimizing communication between businesses and customers and digitizing customer touchpoints backed by the largest service network in Asia

- 34 bases in Japan and 48 bases overseas (41,590 workstations in total; including partner and associate sites)
- Superior quality underpinned by our talent development programs and many years of center management operations as the leading player in the Japanese contact center market*
- Diverse CX solutions, including digital technologies such as chatbots and speech recognition, support for 30 languages and over 10,000 home-based contact center workstations *Source: FY2022 Call Center Sales Ranking, TSUHAN SHIMBUNSYA



BPO

BPO Services

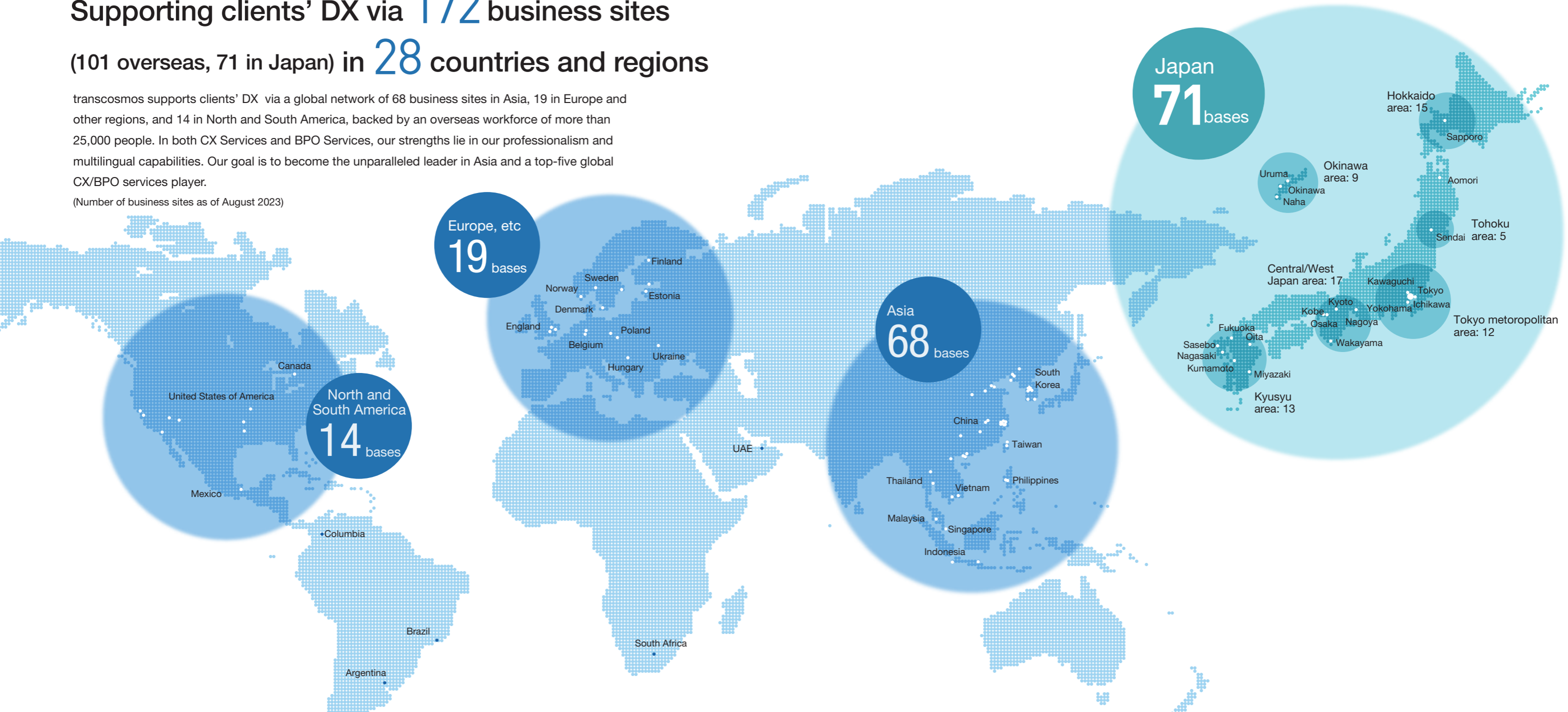
We offer a wide range of services that deliver end-to-end support for the business base at client companies. Our BPO Services employ the latest digital technologies and data-driven solutions to optimize all areas of client operations, helping to realize a sustainable global society.

- Highly competitive service framework with one of Japan's largest offshore service networks (18 sites in Asia) and domestic nearshore centers
- Superior quality backed by operational excellence and a strong track record built up over 57 years since founding
- Highly specialized services in a wide range of areas – planning & development, manufacturing, logistics, corporate services such as accounting and HR, as well as sales and aftersales services

Supporting clients' DX via **172** business sites (101 overseas, 71 in Japan) in **28** countries and regions

transcosmos supports clients' DX via a global network of 68 business sites in Asia, 19 in Europe and other regions, and 14 in North and South America, backed by an overseas workforce of more than 25,000 people. In both CX Services and BPO Services, our strengths lie in our professionalism and multilingual capabilities. Our goal is to become the unparalleled leader in Asia and a top-five global CX/BPO services player.

(Number of business sites as of August 2023)



TOPIC

transcosmos named as Leader for second consecutive year in APAC CX vendor survey by Everest Group; recognized as Star Performer for first time

For the second consecutive year, transcosmos was named as a Leader in the APAC region in a report published by Everest Group in September 2022. The report highlighted transcosmos's strong performance in terms of market impact and vision & organizational capabilities relative to industry peers. transcosmos was also recognized as a Star Performer for delivering the highest year-on-year growth in the Leader group.

Accelerating efforts to become the world's leading Digital Transformation Company by taking both a business and an investor perspective

In April 2023, Masaaki Muta and Takeshi Kamiya were appointed Representative Directors & Co-presidents of transcosmos inc.

By combining their mutual strengths, the two co-presidents will continue to develop our business in line with changing markets and emerging needs, while staying true to transcosmos's long-held corporate philosophy. Our goal is to become the unrivaled Global Digital Transformation Partner for clients by driving the expansion of the Group's globally diversified business.

Masaaki Muta

Representative Director,
Co-president

Takeshi Kamiya

Representative Director,
Co-president

Co-president structure

A robust structure that takes both a business and an investor perspective

Muta: Mr. Kamiya, you were newly appointed as co-president this year. I look forward to working with you closely to drive the Group's continued growth.

Kamiya: Thank you Mr. Muta. Yes, me too. Since my appointment, the most common question I have been asked is, "What are your and Mr. Muta's respective strengths, and how do you plan to work together?" I believe Mr. Muta's strength is his business perspective, while I am focused more on investors. Approaching management from these two different angles will form the basis of a robust co-president structure. Mr. Muta

has a deep understanding of transcosmos's business origins and corporate philosophy and is well-informed about the day-to-day running of the business. I have been with transcosmos for seven years after working at other companies. As a relatively newcomer, so to speak, I can propose new ideas from a different viewpoint for things that might make sense internally but not necessarily externally. I have also been involved in investor relations, so my strength is the ability to see the Company from an investor's perspective. Mr. Muta, what are your strengths?

Muta: I joined Group company DoubleClick Japan Inc. as Managing Director in 1999 and led its market listing – the first Group company to go public. After that I served as Director & Vice President of Group company K.K. AskJeeves Japan. These roles gave me the opportunity to be at the frontline of business management at Group companies. Also, as a transcosmos corporate officer

since 2003, I have been involved in all the Group's service domains, including CX, BPO and Global Services. My roles have included Manager of the Financial Sales Department, Manager of the Business Promotion Department – a department which connects Sales and Services organizations, Head of the Sales Headquarters, Head of the DEC Business Headquarters (now the CX Business Headquarters), and Deputy Head of the Global Business Headquarters. As the Company's senior sales representative, I also met and built relationships with more than 500 client companies each year, giving me first-hand insights into the changes underway in the Group's markets, the emerging needs of clients, and the seeds we must plant to match their needs.

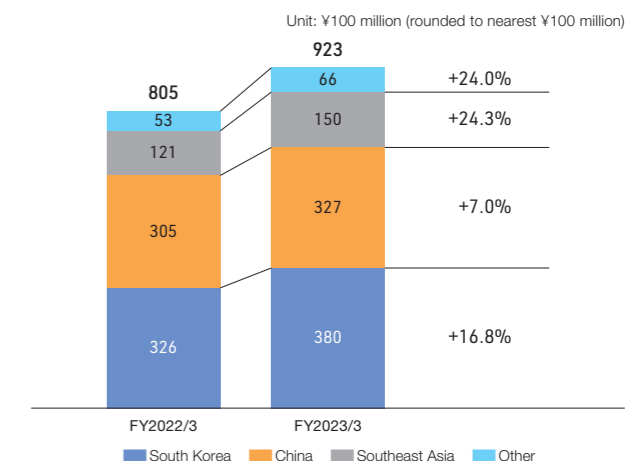
Review of previous medium-term business plan

We were able to build a profit-oriented structure during the pandemic by drawing on lessons learnt from the global financial crisis

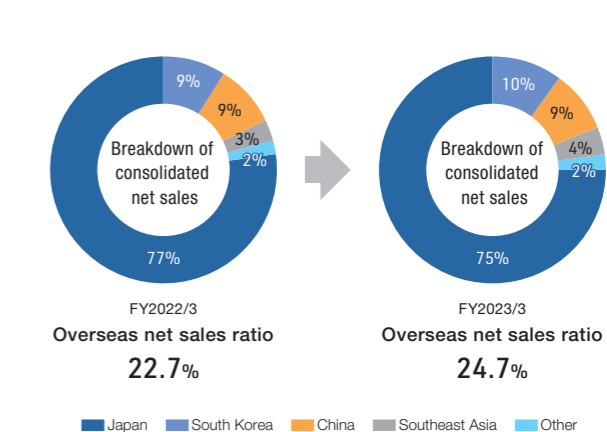
Kamiya: Looking back over the three years of the last medium-term business plan, which ended in FY2023/3, we faced major changes in the operating environment due to the COVID-19 pandemic, but we extended our run of sales growth to 13 consecutive fiscal years and reported cumulative operating income that exceeded the plan's target. This reflected steady profits from large, emergency COVID-19 projects and some success in transforming the Group's business model and expanding worldwide.

In business model reforms, we were able to

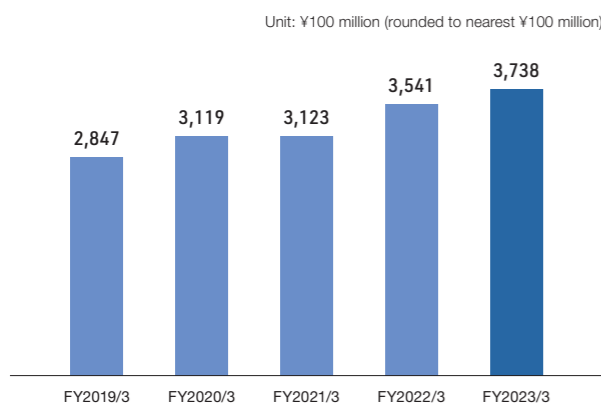
Overseas net sales by country



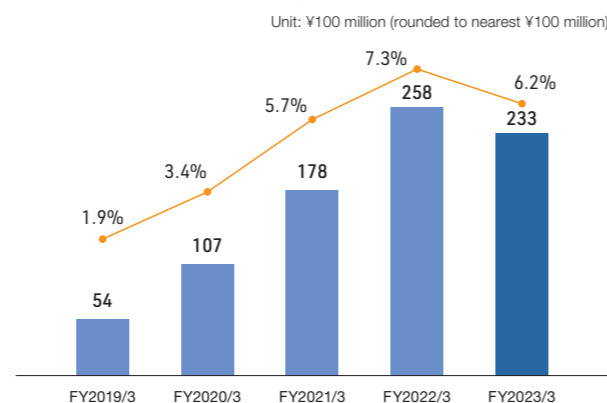
Breakdown of consolidated net sales



Consolidated net sales



Consolidated operating income/operating margin



*Adoption of accounting standard for revenue recognition effective from FY2022/3: Sales from agent transactions in FY2021/3 have been restated as net amounts; sales for FY2020/3 and earlier have not been restated.

introduce our unique one-stop services at many client companies. These included CX services, which provide total support for clients across all their customer touchpoints, covering online advertising, website and application development, call centers and e-commerce, and our BPO services focused on specialized back-office support. We also achieved global growth, with the overseas sales ratio rising from 18.2% in FY2021/3 to 24.7% in FY2023/3. Growth was particularly strong in Southeast Asia, which is now our third key source of overseas earnings after South Korea and China.

Muta: transcocosmos has always focused on building a profit-oriented structure, but the rapidly changing business climate during the previous medium-term business plan prompted us to switch focus to COVID-19 projects, where we could address the urgent needs of society and companies and have a more meaningful impact. Amid unprecedented change in our operating environment, I am happy to say that every one of our people stepped up their game, acting responsively, rapidly and with a willingness to take on new challenges. But in the last three years, our tough experience during the global financial crisis was always at the back of my mind. Back then, in 2009, many clients were struggling and asked us to reduce the price of our services. We had no choice but to comply, but we later had problems restoring prices to pre-crisis levels. This had a major impact on our business. Our Fundamental Management Philosophy is, "Client satisfaction is the true value of our company, and the growth of each of our employees creates the value that shapes our future." In other words, creating client satisfaction is born out of the growth of all our people, supported by our stable management base. During the pandemic, we believed it was important to return value to clients, not by cutting prices, but ensuring high-quality services.

Kamiya: The pandemic brought home to me that our business is an essential service that supports public infrastructure. I believe our ability to drive DX significantly changed society for the better through our one-stop support for application and payment processes for major government projects to provide financial assistance and compliance funds, which helped people and businesses during the pandemic. National and local governments gave us top marks for our ability to rapidly roll out new systems and maintain service quality levels.

Overview of FY2023/3

Targeting net sales of more than ¥450 billion in FY2026/3 with TCI-DX for Support and other unique services

Kamiya: transcocosmos reported record net sales of ¥373.8 billion in FY2023/3. Operating income was ¥23.3 billion, the second-highest on record after last year's figure. The number of public-sector COVID-19 projects declined as the pandemic settled down, but we launched competitive and unique service models such as TCI-DX for Support. Using our track record and experience from pandemic projects, we are now focusing on developing new services for normal operations in the public sector.

Muta: TCI-DX for Support is a unique business model that allows us to leverage our competitive advantages. The new service (patent no. 7319478) uses voice of the customer (VoC) data to optimize a range of CX services such as websites and applications, hybrid chat, contact centers and social media to further improve usability and reduce costs for clients. This is helping expand the range of services we provide to our clients. For example, existing clients who use our contact center services are also

deploying other services such as chat and web services. More than 50 client companies have already organically linked their websites and applications with hybrid chat services (combining chat agents and AI bots) and call centers. We want to expand the user base to 100 clients, who will also gain access to a full suite of services linked to social media VoC data by the end of FY2025/3. TCI-DX for Support is a unique digital platform that seamlessly solves CX challenges at customer touchpoints, which have seen far-reaching change due to the uptake of smartphones. It is also a model that our competitors will struggle to emulate. Drawing on the Group's strengths, TCI-DX for Support is set to accelerate transcocosmos's growth. Backed also by fresh initiatives in our digital BPO and Global Services businesses, we are targeting net sales of more than ¥450 billion and an operating margin of 6-8% in FY2026/3.

Kamiya: In terms of returning profits to shareholders, the Company has adopted a dividend payout ratio benchmark that is linked to business performance, aiming for a consolidated dividend payout ratio of 30% with one annual dividend payment at the end of the fiscal year. For FY2023/3, we paid a year-end dividend of ¥117 per share. As part of efforts to improve shareholder value and use capital resources flexibly, the Company also repurchased shares worth ¥13.3 billion. We plan to continue making dynamic investments in growth, such as reinforcing engineering capabilities to expand our service menu, and using M&A to enhance the Group's global presence.

Current business climate

Companies like transcocosmos that connect people and technology to create new services are few and far between

Kamiya: Uncertainties in the operating environment have proliferated in recent years, but our business structure is less vulnerable to trends in specific industries, countries or regions, as we have a broad base of clients across a wide spectrum of industries and an increasingly dispersed geographical reach. However, a number of hurdles stand in the way of further business growth, primarily soaring labor costs and problems with recruitment. This poses particular risks to a business model like ours, which is anchored by people. To address these risks, transcocosmos needs to lift its profitability and make our workplace more attractive for talented personnel. Mr. Muta, what challenges do you think transcocosmos needs to overcome to unlock further growth?

Muta: As a highly specialized DX company, we need to focus on how to refine the "technology" element of our "people & technology" approach, harnessing the potential opportunities afforded by automation, generative AI and the metaverse.

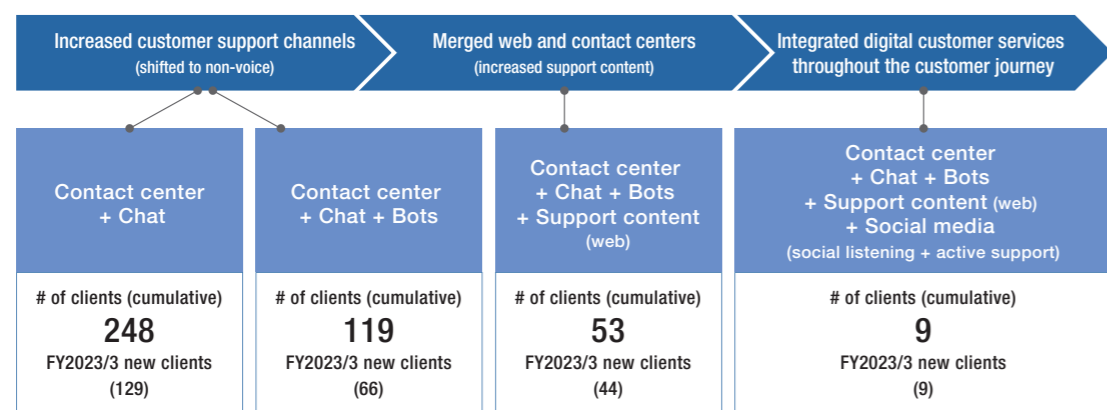
Kamiya: We are often seen as a "people" company, but we are also a "technology" company, which is not clearly communicated to stakeholders. transcocosmos's strength lies in its ability to connect people and technology to optimize business processes, something that specialist vendors of contact center and web production services cannot offer.

Muta: Last year, the Marketing Division conducted a survey of corporate and consumer perceptions of transcocosmos as part of efforts to strengthen branding. The survey showed that transcocosmos is well-known as a contact center business, but has very low visibility as a digital marketing company, despite operating one of the largest website and application development businesses in Asia. Most survey respondents were also unaware of our broad service portfolio and rapidly expanding global business as a DX company. Going forward, we need to focus on raising awareness about these less well-known areas of our business among investors and other stakeholders.

Kamiya: My sentiments exactly. Most people do not know we have a separate sales team dedicated to attracting new clients, in addition to teams that sell services to existing clients.

TCI-DX for Support implementation (as of March, 2023)

Connected VoC collected via contact centers, chat, chatbot, customer support content, and social media.



Summary of balance sheets

Unit: ¥100 million (rounded to nearest ¥100 million)	End of March 2022	End of March 2023	Change
Current assets	1,510	1,354	-156
Non-current assets	675	584	-90
Total assets	2,185	1,938	-246
Current liabilities	802	664	-137
Non-current liabilities	174	150	-24
Total liabilities	976	815	-161
Net assets	1,209	1,124	-85
Total liabilities and net assets	2,185	1,938	-246
Cash and deposits	648	512	-137
Interest-bearing debt	282	163	-119
Net Cash*	366	349	-17

*Net Cash = Cash and deposits - interest-bearing debt

Muta: That's right. In 2011, we split our sales department into CX-Account Executive Team and BPO-Account Management Team, which focused on existing services, and the Sales Headquarters, which concentrated on new client acquisition.

As the head of both sides of this sales organization, I focused on growing earnings from existing businesses and developing new clients. Sales teams serving existing clients will need to dig deeper to gain a clearer picture of the challenges that clients face. Using that information, they will be able to propose solutions, maintain order flow and offer a wider range of services. Sales team targeting new clients, on the other hand, will have to develop new proposals based on an industry-specific, hypothesis-driven sales strategy to contribute to the Group's earnings growth. By separating sales activities into these two streams, we have been able to accelerate our business.

Kamiya: I only learned about this function-specific sales approach after I joined the Company. I was surprised by the variety of companies transcosmos approaches in its new client acquisition.

Muta: We deal with roughly 3,500 client companies, and our new client acquisition team has been developing more than 200 new clients and cross-selling services to over 200 companies each year for some time now. This is another transcosmos strength.

Kamiya: Our people are trained to rapidly identify new trends, develop services in line with those trends and present them to clients, backed by our proactive sales attitude.

Muta: Indeed. transcosmos has always taken an aggressive approach to business expansion. We have worked to increase and upgrade our service portfolio to realize our goal of becoming the Global Digital Transformation Partner. After reaching sales of over ¥300 billion in FY2020/3, I feel we have finally put in place a business structure that can maximize the strengths of this portfolio. We are starting to see positive signs, with the scale of our business now catching up with service expansion.

Commitment to the new medium-term business plan

Aiming to be a 100-year, ¥1 trillion company that helps create a sustainable society

Kamiya: We aim to become a true Global Digital Transformation Partner for clients during the new medium-term business plan. Another goal of the plan is to

“contribute to the realization of a sustainable society.” The plan is anchored by two commitments: drive DX at client companies, and leverage DX to change the workstyles of our roughly 70,000 people – the Group's most important management capital. We also aim to support a wide range of stakeholders – investors, shareholders, clients and our people – by using DX to change society for the better.

Muta: Our long-term objective is to become a 100-year, ¥1 trillion company. To achieve this, we have to put sustainability management at the heart of value creation. This will ensure we can meet the expectations of our stakeholders and contribute to society.

One of our other objectives is to become a Technology Solutions Company. transcosmos provides services by combining people and technology. BPO services – our founding business – fuses operational excellence cultivated over more than 50 years of service provision with various technologies to achieve end-to-end optimization for clients. More specifically, we drive transformation at clients in two ways – through business process and operational innovation and through technology such as AI, RPA and PF. One example of our approach is in the construction industry, where there are growing concerns about future labor shortages and the ability of aging workers to handle onsite construction work. The revised Labor Standards Law, due to come into effect in 2024, is set to be another challenge for the industry. To help construction clients address these issues, we are supporting efforts to overhaul industry practices through process standardization, while also driving improvements in efficiency and quality. Specifically, we are synchronizing our digital BPO services with onsite BIM/CIM, cloud services and cloud data integration to improve the quality, cost, delivery, safety and environment (QCDSE) elements of construction management processes.

Kamiya: transcosmos has steadily expanded its global business. We are now aiming to become the unparalleled leader in Asia and a top-five global CX/BPO services player. Until now, the global business has essentially been in a startup phase, with a lot of time and effort spent on building the business from scratch. However, our global business is moving into a more aggressive growth phase backed by collaboration between domestic and overseas offices. We aim to be the unparalleled leader in CX/BPO in every region in Asia, including Japan.

Muta: Our global clients now view transcosmos as a partner it can depend on to support their operations across Asia. In the past, most orders were for services aimed at specific countries and regions in Asia, such as China, South Korea, Japan and ASEAN. More recently,

however, clients want multi-country and multi-region support. Our approach in the past was to provide services tailored to each country and region while closely sharing information between our offices. Clients were very satisfied with these services, leading to growth in our business with global companies that operate worldwide. This helped spur the rapid buildout of the Group's global business structure.

Kamiya: By remaining loyal to clients that recognize our value as a partner, we have been able to strategically expand our business in countries and regions where we have won their trust.

Board of Directors

transcosmos's female outside director will energize discussions towards growth

Kamiya: In June 2023, lawyer Miwa Tsurumori was appointed as the Company's female outside director, further strengthening corporate governance. Many of our outside directors have diverse and unique backgrounds in corporate management, as well as global experience, and actively contribute to discussions at board meetings. We expect Ms. Tsurumori to further energize discussions by providing a different perspective.

Muta: Board meetings are so dynamic that there never seems to be enough time for discussions. I also learn a lot from the informed opinions of other board members.

Kamiya: We hold meetings with outside directors twice

yearly to exchange opinions. In the past, these meetings were held mainly to discuss audit reports, but outside directors now also give their opinions about business strategies, which helps to deepen mutual understanding. We need the continued oversight and advice of outside directors from the viewpoint of shareholders and other stakeholders to ensure the Company meets their expectations.

Message to shareholders and investors

Aiming to be a company that is more accessible and valued by a wider spectrum of investors

Kamiya: transcosmos is committed to supporting DX at clients through digital technology. In my position, I have many opportunities to talk with investors, and I get the impression that investors, particularly those who have a deep understanding and appreciation of our company, expect transcosmos to present our business in an easier way to understand, so that a wider spectrum of investors can see our true value as a company. We will reflect this in ongoing internal discussions about how to make information disclosure more accessible.

Muta: I think investors need a clearer picture of our business model, sustainability management and growth scenario. This will support our continued efforts to meet the expectations of all transcosmos stakeholders.



Masaaki Muta

Masaaki Muta was appointed Representative Director & Co-president in 2022 and has led both the Sales and the Digital Marketing E-Commerce/Contact Center Services Headquarters since 2018. As Manager of the two headquarters, Masaaki has been driving service development initiatives and promoting integrated services. He joined transcosmos in 2003 as Sales Headquarters Manager, reinforcing the sales organization and strategies in Japan and overseas, and leading business growth by developing new markets and expanding earnings in existing businesses. Masaaki first joined DoubleClick Japan Inc., a transcosmos Group company, in 1999, and as Managing Director, led DoubleClick Japan Inc. to become the first Group company listed on NASDAQ, in 2001. Before joining the transcosmos Group, Masaaki was with Recruit Co., Ltd. from 1989 after graduating from Kyushu University in the same year.

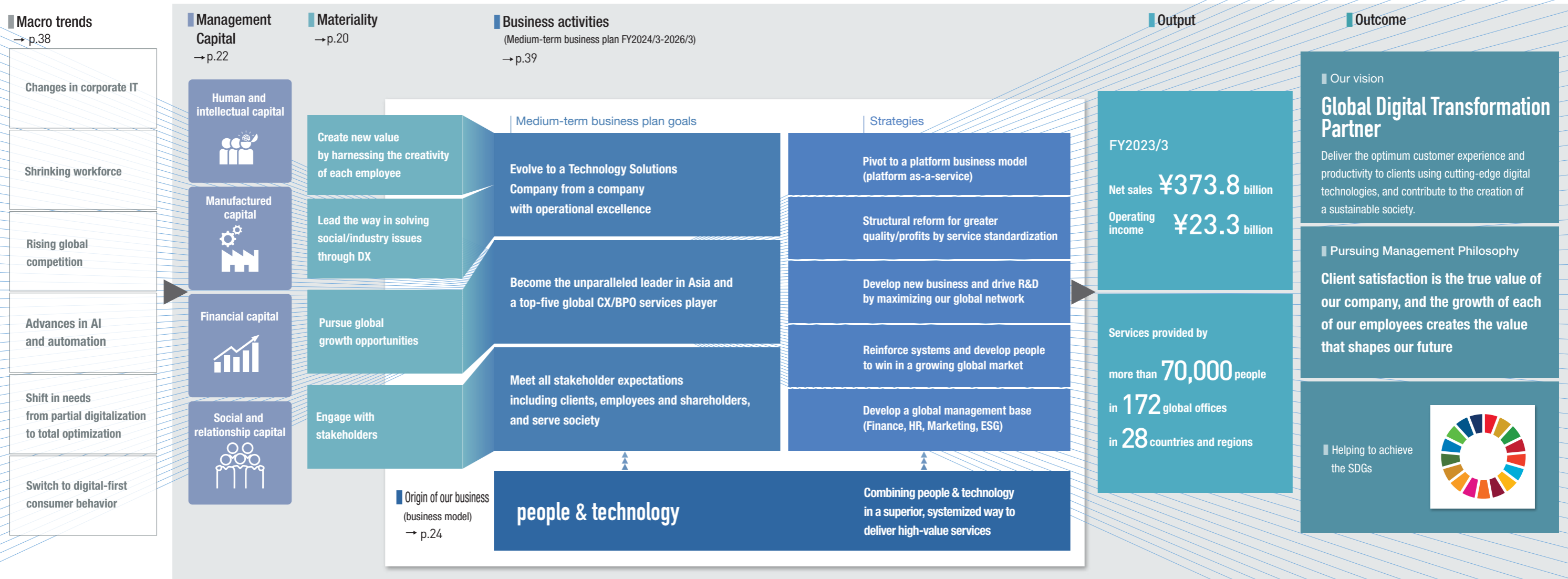


Takeshi Kamiya

Takeshi Kamiya was appointed Representative Director & Co-president in 2023, after serving as Representative Director & Executive Vice President since 2022. After joining transcosmos in 2015, he led the formulation of the Group's medium-term business plans as the Manager of the Corporate Strategy Division and drove the development of the e-commerce business in Japan and overseas as the Manager of the Global E-Commerce Business. Prior to his career at transcosmos, Takeshi joined Bain & Company Japan, Inc. in 2005, where he had a roughly 10-year career supporting business strategy planning and execution for clients in the communication, IT services, retail and other sectors. He graduated from graduate school of the University of Tokyo in 1998 and joined NTT in the same year.

Helping to enhance clients' productivity and realize a sustainable society

As a DX company, transcocosmos will support efforts by client companies to boost productivity and contribute to the creation of a sustainable society by meeting the expectations of all stakeholders. To realize our vision of becoming the Global Digital Transformation Partner, we have identified the Group's materiality, taking into account risks and opportunities, with input from directors. Based on this, we will work to deliver growth using the Group's management resources, centered on people & technology. We will also promote sustainability management to maximize corporate value.



Four key challenges (materiality) to realize our vision

transcosmos has identified four materialities to realize its vision as a DX company – the Global Digital Transformation Partner. In our medium-term business plan FY2024/3-FY2026/3, we will also focus on initiatives tied to this materiality in order to help solve social issues and meet the expectations of our stakeholders.

Our four materialities

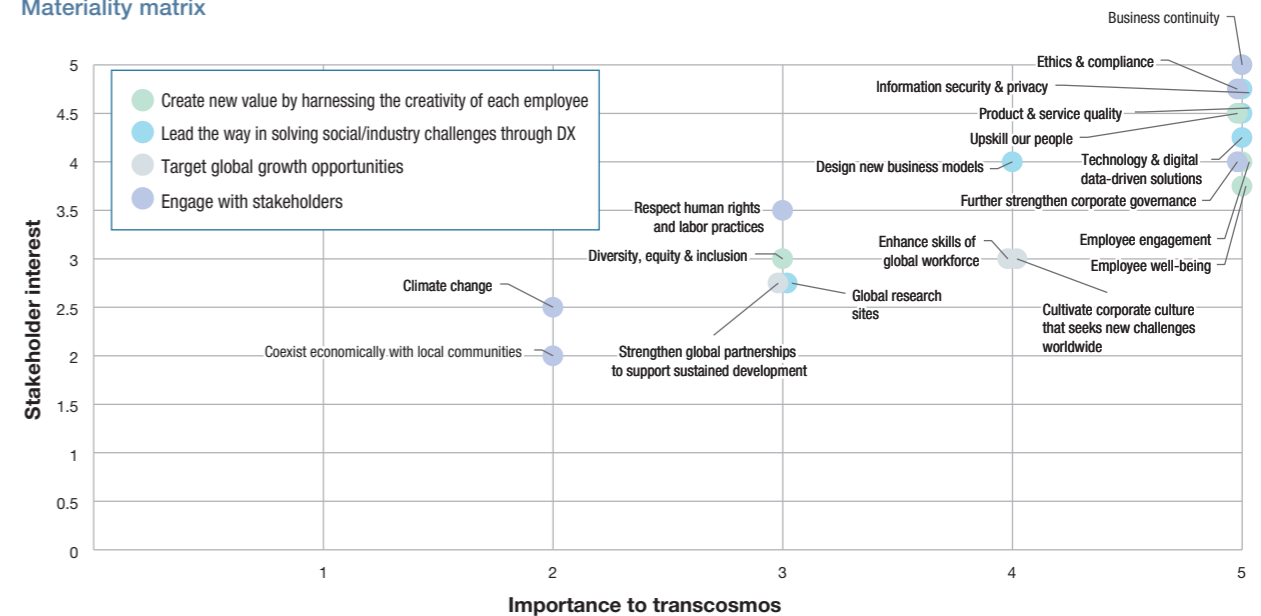
Materiality	Summary of materiality	Examples of key initiatives
Create new value by harnessing the creativity of each employee	Recognizing that "employees are our most valuable asset and have boundless potential," we will actively promote employee well-being. Also, to improve the skills of our people, we will create systems that enable them to continue growing independently in various different tasks. This will include developing management personnel and IT and DX talent. Mindful of the individual characteristics of each employee, we will provide fair opportunities for all to excel by expanding our existing Diversity & Inclusion (D&I) initiatives to encompass Diversity, Equity & Inclusion (DE&I).	<ul style="list-style-type: none"> ● Employee well-being → p.27 ● Developing professional talent with a high level of expertise → p.50 ● Diversity, Equity & Inclusion (DE&I) → p.52
Lead the way in solving social/industry challenges through DX	Through our business activities as a DX company, we will take the lead in solving social and industry challenges by providing new technology and digital data-driven solutions to clients. In addition to designing new business models and establishing technical research centers worldwide, we will strive to enhance product and service quality and reinforce information security and privacy protection systems in existing domains.	<ul style="list-style-type: none"> ● Our DX Business → p.28 ● Responding to cybersecurity risks → p.64
Target global growth opportunities	To support the Group's sustained development, we will strengthen global partnerships and help to increase the corporate value of diverse clients in Japan and overseas. This will mean enhancing the skills of our global workforce and cultivating a corporate culture that seeks new challenges worldwide.	<ul style="list-style-type: none"> ● Five strategies to achieve the goals of the medium-term business plan → p.40
Engage with stakeholders	Given the role of companies in society, we recognize that addressing climate change is an essential mission. Also, as part of the international community, we will promote respect for human rights and appropriate labor practices. At our many business sites in Japan and overseas, we aim to coexist economically with local communities and support their development through activities that contribute to society. To deliver sustainable growth, we will formulate business continuity plans, further strengthen corporate governance and enhance corporate ethics and compliance.	<ul style="list-style-type: none"> ● Addressing climate change → p.47 ● Contributing to local communities → p.57 ● Corporate governance → p.58

Materiality identification process and materiality matrix

We used the following process to verify, identify and narrow down the Group's materiality.

1. Identified 760 items based on assessments of competitors, leading global companies, Japanese companies active globally with high ESG ratings, international standards (ISO 26001), GRI, SASB, SDGs, etc., and social trends related to the Company.
2. Grouped into 48 categories
3. Scored according to level of stakeholder interest and importance to the Company
4. Narrowed down to issues of greatest importance

Materiality matrix



Relationship between materiality and medium-term business plan FY2024/3-FY2026/3



Our management capital as the source of value creation

transcosmos creates value by constantly developing its people & technology, the origin of our business, underpinned by human & intellectual capital, manufactured capital, financial capital, and social & relationship capital cultivated since the Company was established.

 <p>Human and intellectual capital</p>	<p>We are enhancing talent development programs and strengthening the capabilities of our people, recognizing that developing “professional talent” – highly skilled professionals who can provide tailored services to clients – is important for both employees and the Company as a whole.</p> <p>In addition, the platforms developed by transcosmos and our expertise in using them to skillfully integrate “people & technology” is helping a diverse range of clients achieve DX, CX and SX.</p>	<ul style="list-style-type: none"> • Number of employees: 70,291 (Japan 43,956, overseas 26,335) • Diversity, Equity & Inclusion: Women’s representation in managerial positions: 26.5% (as of July 2023), proportion of employees with disabilities: 2.56% (FY 2023) • Salesforce-certified marketing cloud email specialists: 193 people, top class in Japan (as of July 3, 2023) • Data scientists: 75 (transcosmos analytics Inc.) • Number of employees certified under the transcosmos chat operations certification system based on international standards: approx. 2,200 • Digitization ambassadors: 1,422 (appointed by Digital Agency) • In-house training: More than 400 courses • Average age of employees: 37 years and 2 months (non-consolidated) • Proprietary platforms: TCI-DX for Support, DEC Connect, FlowScope, QOSIS, Gotcha!mall, MOALA, etc.
 <p>Manufactured capital</p>	<p>We operate business sites of all sizes in Japan and overseas. In particular, we have built a network of large contact centers in Japan and East Asia. These many locations allow us to deliver tailored, comprehensive services.</p> <p>We also help to smoothly solve business challenges faced by clients using our advanced center facility operation system that utilizes cutting-edge technology.</p>	<ul style="list-style-type: none"> • Business sites: 172 locations in 28 countries and regions worldwide (Japan: 71, overseas: 101) *As of August 2023 • Global support: Supporting clients’ e-commerce business operations in 46 countries and regions in 30 languages worldwide *As of August 2023 • Advanced center facility operation system utilizing cutting-edge technology: transpeech (voice recognition solutions), Contact-Link (cloud systems), ContacTrack (operations dashboard), backup solutions for work-at-home agents, CO₂ sensor controller, AI-based air conditioning control equipment, etc. *Some services only available at certain centers • Total capital investment: ¥6.5 billion
 <p>Financial capital</p>	<p>We are investing heavily in business strategies to achieve our vision, and to attract, retain and develop diverse people. We have built a stable financial base that can support sustained growth and withstand rapid changes in the business climate.</p>	<ul style="list-style-type: none"> • Equity capital: ¥103.5 billion • Equity ratio: 53.4% • Net cash: ¥34.9 billion • Net D/E ratio: -33.7% • Rating assigned by Rating and Investment Information, Inc.: A- [rating outlook: Stable], CP: a-1
 <p>Social and relationship capital</p>	<p>We have won the support and trust of many clients thanks to our “customer satisfaction first” principle, which expresses our commitment to always doing the best for clients, and our “professionalism,” reflected in our use of new technologies to solve issues that help clients lift profits and labor productivity.</p>	<ul style="list-style-type: none"> • Number of clients: Over 3,500 companies • Years since founding: 57 • Accreditation/recognition: Selected as a DX Certified Operator; Leader and Star Performer in PEAK Matrix® Assessment*; BIM BSI Kitemark; 5-star TMALL Service Partner; Winner of Contribution Partner Award, Concur Japan Partner Awards 2023 • Management Philosophy unchanged since Company’s establishment

*Everest Group “Service Provider Landscape with PEAK Matrix®Assessment 2022”

Data for FY2023/3 or as of March 31, 2023, unless otherwise stated

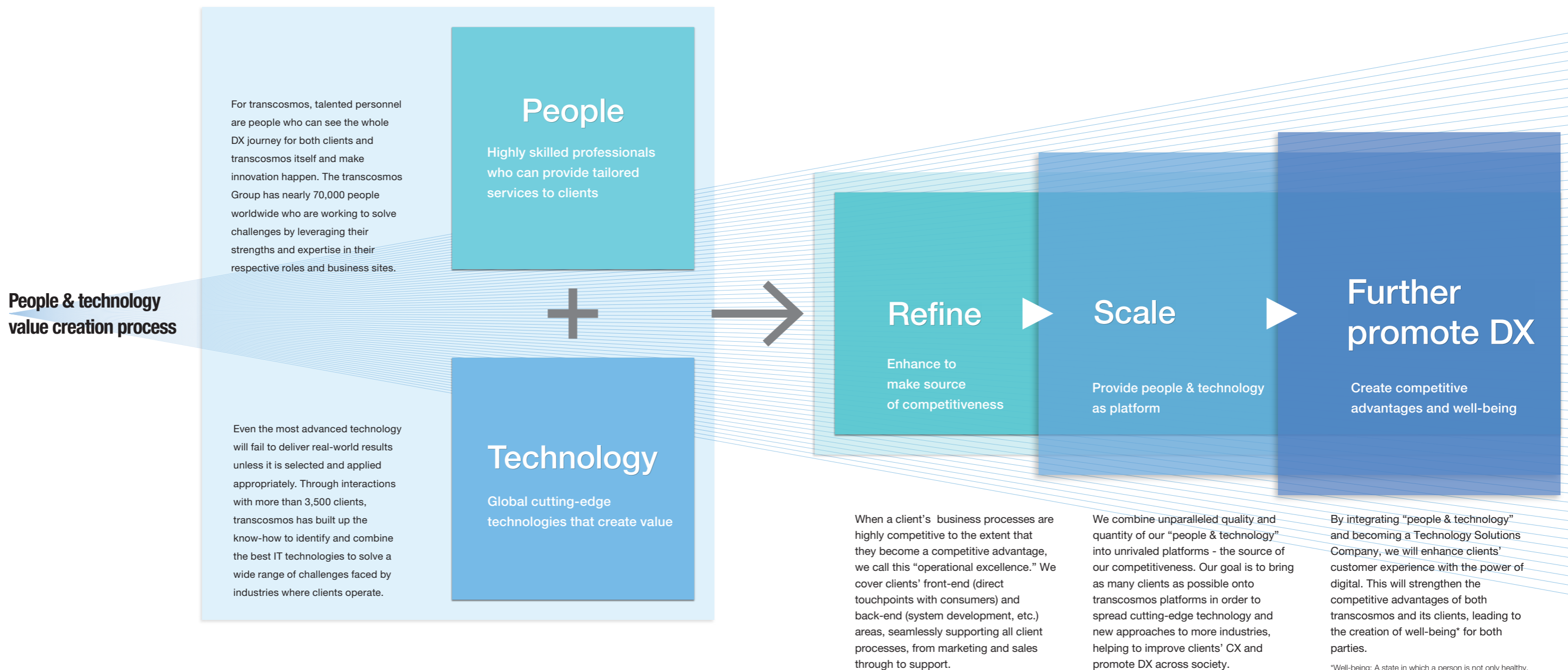
“People & technology” is the origin of our business

We combine people & technology in a superior, systemized way to deliver high-value services. This has been the starting point for our business since transcocosmos was founded and sits at the heart of our business model today. “People” refers to highly skilled professionals who can provide tailored services that meet and exceed the expectations of clients, and “technology” means cutting-edge global technologies that enable us to deliver value to clients. transcocosmos will continue to refine this approach of combining people & technology to create business processes that best match the needs of each client – the core of the Group’s value creation.

Our key values since transcocosmos was founded

“Customer satisfaction first” is embedded in transcocosmos’s DNA. As our late founder Koki Okuda told directors and employees, “We can only build trust when our daily efforts exceed the expectations of customers.” To realize our “customer satisfaction first” principle, every employee working onsite at client offices over the years has devoted themselves to providing an even better level of service through continuous improvement. That has led to an accumulation of trust that supports transcocosmos to this day.

The value we provide is not just the latest IT technology or people, but the ability to combine both – as expressed by our phrase, “people & technology.” “People & technology” is something we have learned and refined through relationships with clients and business partners over the years, and will remain at the heart of transcocosmos’s value creation now and well into the future.



*Well-being: A state in which a person is not only healthy, but also maintains good physical, mental, and social health and lives with a sense of well-being.

Implementing sustainable management as a global company

transcosmos promotes sustainability management in its businesses and in its corporate activities. We help to solve challenges faced by society through our DX business, which supports the growth of clients. We are also implementing ESG initiatives such as addressing climate change, developing professional talent and reinforcing governance. In addition, we put considerable effort into promoting employee well-being, underpinned by our belief that “employees are our most valuable asset and have boundless potential.”

Fundamental Sustainability Policy

Staying true to our Fundamental Management Philosophy that client satisfaction is the true value of our company, we, transcosmos, will co-create a well-being society with you all. Together, transcosmos will drive progress on SDGs/ESG.

Sustainability purpose

“Our purpose is to create a well-being society.

To achieve the purpose, we will maximize the well-being of society, our clients, and each individual.”

Social well-being

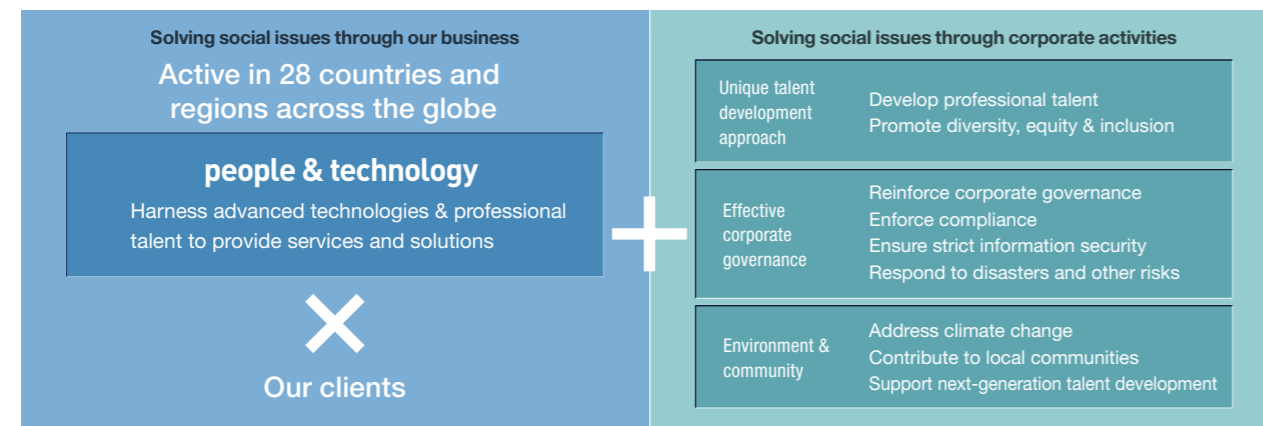
Together with our clients, we will maximize social well-being through addressing social challenges including climate change, biodiversity, business and human rights, and social justice.

Clients' well-being

We will maximize our clients' well-being through helping clients achieve sustainable development including business growth, business process optimization, and greater customer satisfaction.

Individual well-being

We will maximize our people's well-being through offering the latest technology training programs and respecting employee well-being, DE&I, and human rights.

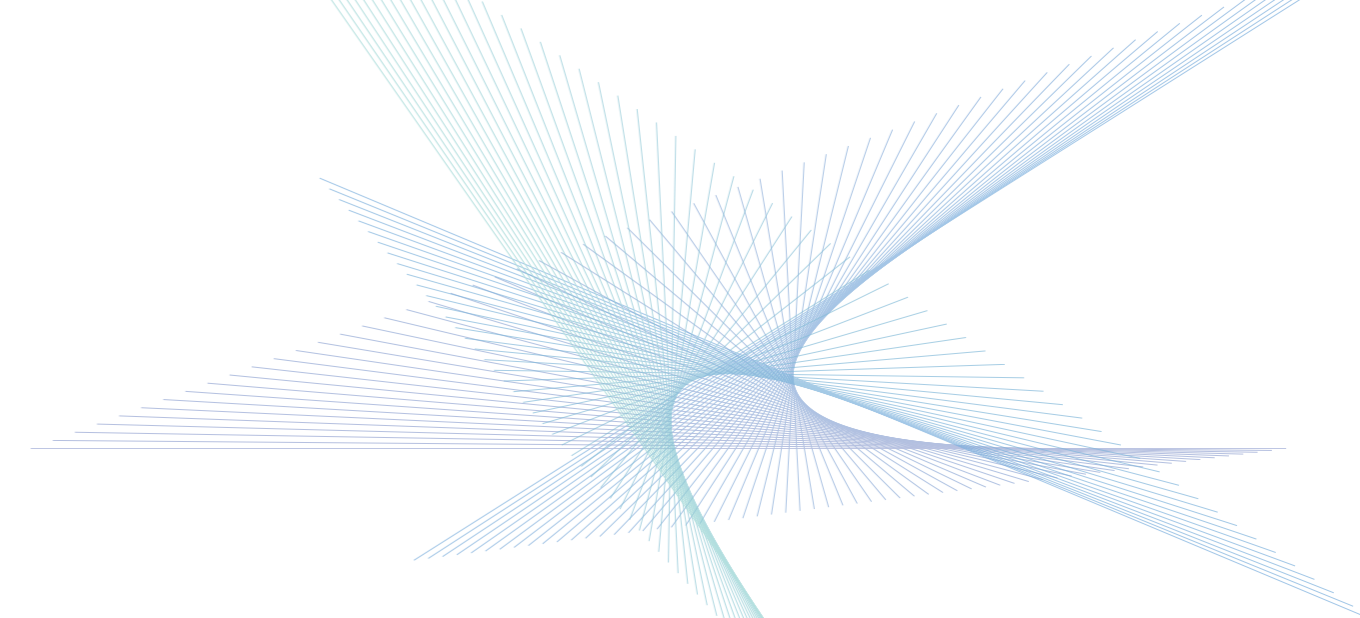


transcosmos SDGs Committee

transcosmos links management strategies to the sustainable development goals (SDGs), recognizing the importance of analyzing and understanding risks and opportunities related to each of these goals from the perspective of the Group's sustainable growth. To this end, we have established the transcosmos SDGs Committee, which is specifically tasked with aligning the Group's business and management resources with its SDGs initiatives, setting priority SDGs by identifying social issues of particular significance to transcosmos, and confirming progress against these goals on a regular basis in order to promote sustainability management. The committee is chaired by Masataka Okuda, Representative Director & Chairman, and co-chaired by the Company's directors.



For more information on our SDG initiatives, please refer to our website.
▶ <https://www.trans-cosmos.co.jp/english/company/sustainability/sdgs.html>



Employee well-being

At transcosmos, we believe “employees are our most valuable asset and have boundless potential.” The Human Resources Division, occupational health professionals such as our lead occupational health physician, health supervisors at centers and offices, and the Company's labor union and health insurance society are therefore all working together to promote employee well-being activities. From FY2023/3, we transitioned to a Groupwide implementation system led by the SDGs Committee, and in September 2022 we formulated the Employee Well-being Statement, taking our employee well-being initiatives even further. In March 2023, transcosmos was recognized under the Certified Health & Productivity Management Outstanding Organizations Recognition Program (large enterprise category) for 2023. The program is run jointly by the Ministry of Economy, Trade and Industry (METI) and Nippon Kenko Kaigi.



Employee Well-being Statement

Our Fundamental Sustainability Policy states that “Staying true to our Fundamental Management Philosophy that client satisfaction is the true value of our company, we, transcosmos, will co-create a well-being society with you all. Together, transcosmos will drive progress on SDGs/ESG.” In light of this, we believe that both the physical and mental health of our employees - the foundation of our employees' well-being - is critical for transcosmos to achieve sustainable growth and to co-create a well-being society.

To this end, transcosmos hereby states that we will commit to maintaining and promoting not only the well-being of our employees but also of their families so that our employees will be able to perform to their full potential in top physical and mental condition.

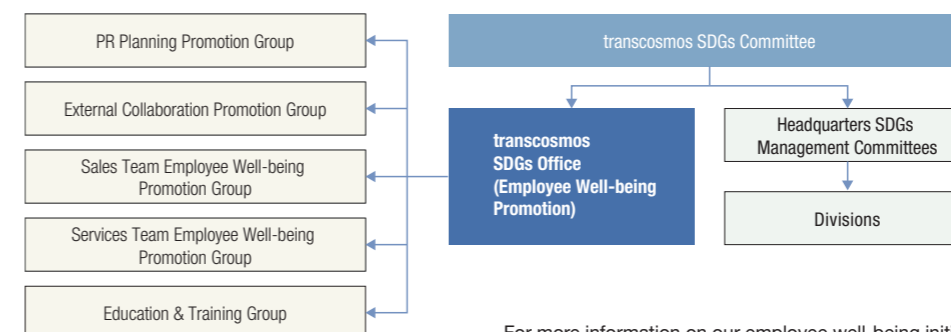
Takeshi Kamiya
Representative Director, Co-president
transcosmos inc.

Employee well-being challenges

As many as 40,000 employees work at the transcosmos parent company alone (as of end-FY2023/3), and our centers and offices have differing workplace environments, each with its own working hours arrangements. We therefore face two key challenges in promoting employee well-being – first, ensuring our employees understand the importance of maintaining and promoting their own well-being and disseminating this thinking across the Group, and second, implementing the right initiatives that work best to solve health-related challenges at our various workplaces.

Employee well-being promotion framework

In FY2023/3, Representative Director & Co-president led the creation of a framework to ensure we fulfill the commitments in our Employee Well-being Statement, in line with our Fundamental Sustainability Policy. Backed by this framework, the transcosmos SDGs Committee, which is responsible for SDG-related matters across the Group, will implement employee well-being initiatives as a priority theme with input from employees.



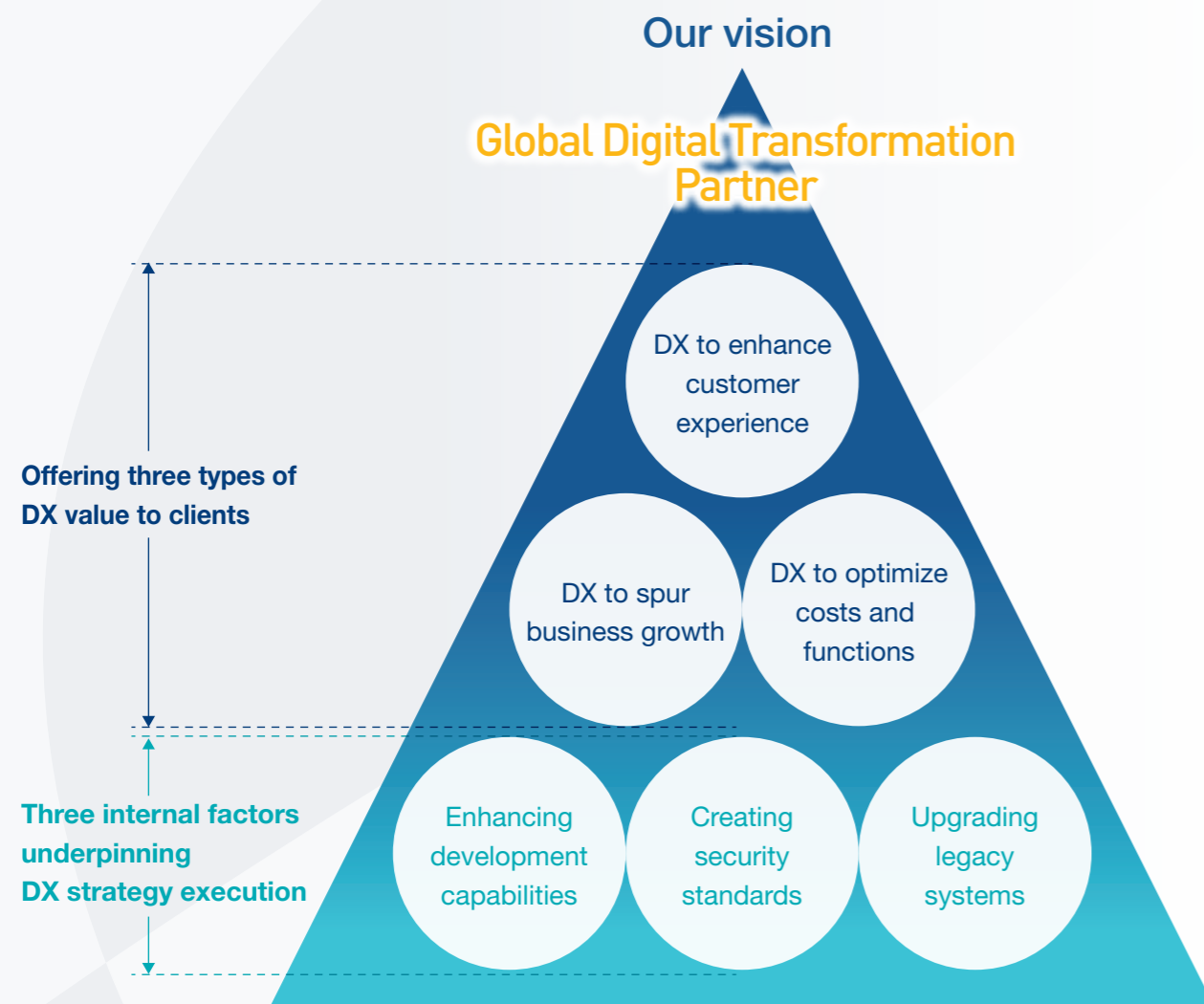
For more information on our employee well-being initiatives, please visit our website.
▶ https://www.trans-cosmos.co.jp/english/company/sustainability/rights_labor/hpm.html



Our DX Business

At transcocosmos, we believe our DX solutions have the power to revolutionize client businesses. Our value as a company is our ability to select the best digital tools and combine them into platforms. We do this by classifying and analyzing each process then consolidating and integrating multiple operations to build a finely tuned end-to-end business process that matches the DX objectives of our clients.

Our fundamental DX strategy framework



Initiatives to promote DX of society



1. DX to Enhance Customer Experience:
Reinforcing our unique DX platform

p.30



2. DX to Optimize Costs and Functions:
Supporting clients' DX projects

p.32



CTO Message

3. DX to Spur Business Growth 1:
Utilizing generative AI and other cutting-edge technologies

p.34



4. DX to Spur Business Growth 2:
Working with diverse Group companies

p.36

Reinforcing our unique DX platform

With communication channels that connect customers and companies becoming digitalized, many companies today are focusing on data-driven methods to improve customer loyalty and lift efficiency. Against this backdrop, transcocosmos has built a unique CX platform called TCI-DX for Support that covers the front-end of digital customer touchpoints for clients.

The platform is anchored by core technology that digitizes customer touchpoints and seamlessly gathers and utilizes data. This technology is a unique transcocosmos asset. In August 2023, we secured a patent (7319478) for the voice of the customer (VoC)-based problem-solving process in our TCI-DX for Support platform. By combining people and technology, we are using this novel system to further increase our value and value for our clients.

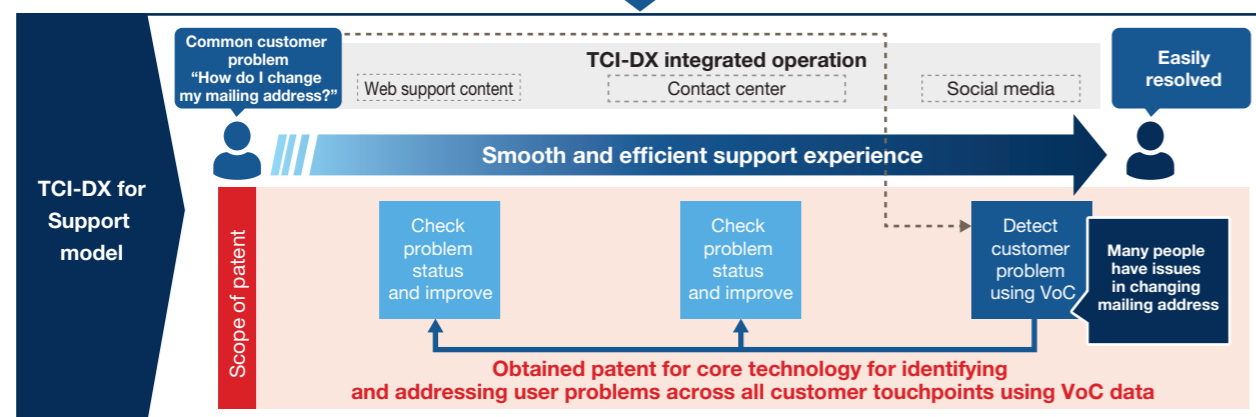
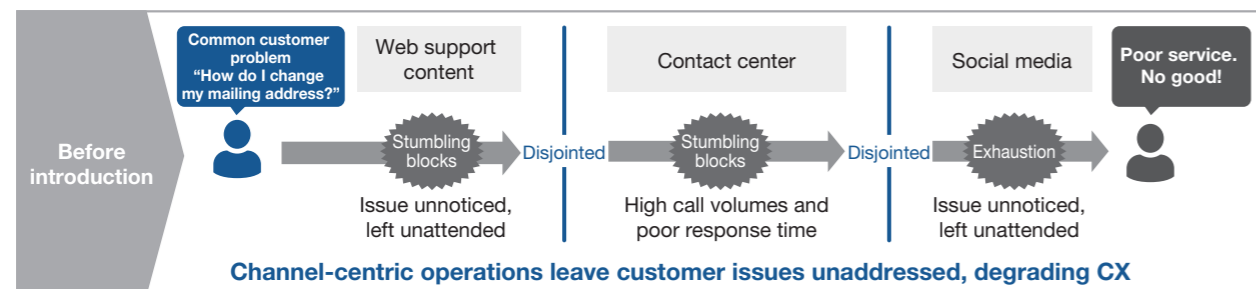
VoC-based core technology for identifying and addressing customer challenges

To enhance CX in customer support, companies must give customers the information they need at the optimal time in line with their behavior. If support channels such as online support content, contact centers and social media provide a disjointed response, customers will need more time and effort to resolve their problems, undermining customer loyalty and impacting CX.

Our CX platform – TCI-DX for Support – covers all areas of the front-end of digital customer touchpoints, allowing our clients to detect the core problem through VoC analysis. This gives them the tools to rapidly assess the situation across all channels and implement improvements.

In this way, VoC-based customer support helps enhance CX by reducing the time needed to identify and resolve problems in customer touchpoints. We have systemized and patented the core technology used in this process.

Optimized contact center powered by TCI-DX for Support



Dramatically improving productivity by understanding the situation across multiple customer care channels

Our TCI-DX for Support model is based on a unique dashboard connected to a range of cloud services. In terms of service provision, these technologies can be configured in a way that meets the specific needs and challenges of each client, resulting in high-quality customer support using VoC and behavior logs.

Superior technology combined with human input and expertise are vital to the operation of this platform. Our ability to manage KPIs across multiple channels while also meeting client needs for quantity, as well as quality, is one of our strengths. Introducing TCI-DX for Support can reduce total customer care costs by around 70% and boost productivity by more than 2.4 times compared with call-based customer support (manned phone lines).

Implementing metaverse-based trial as next-generation service model

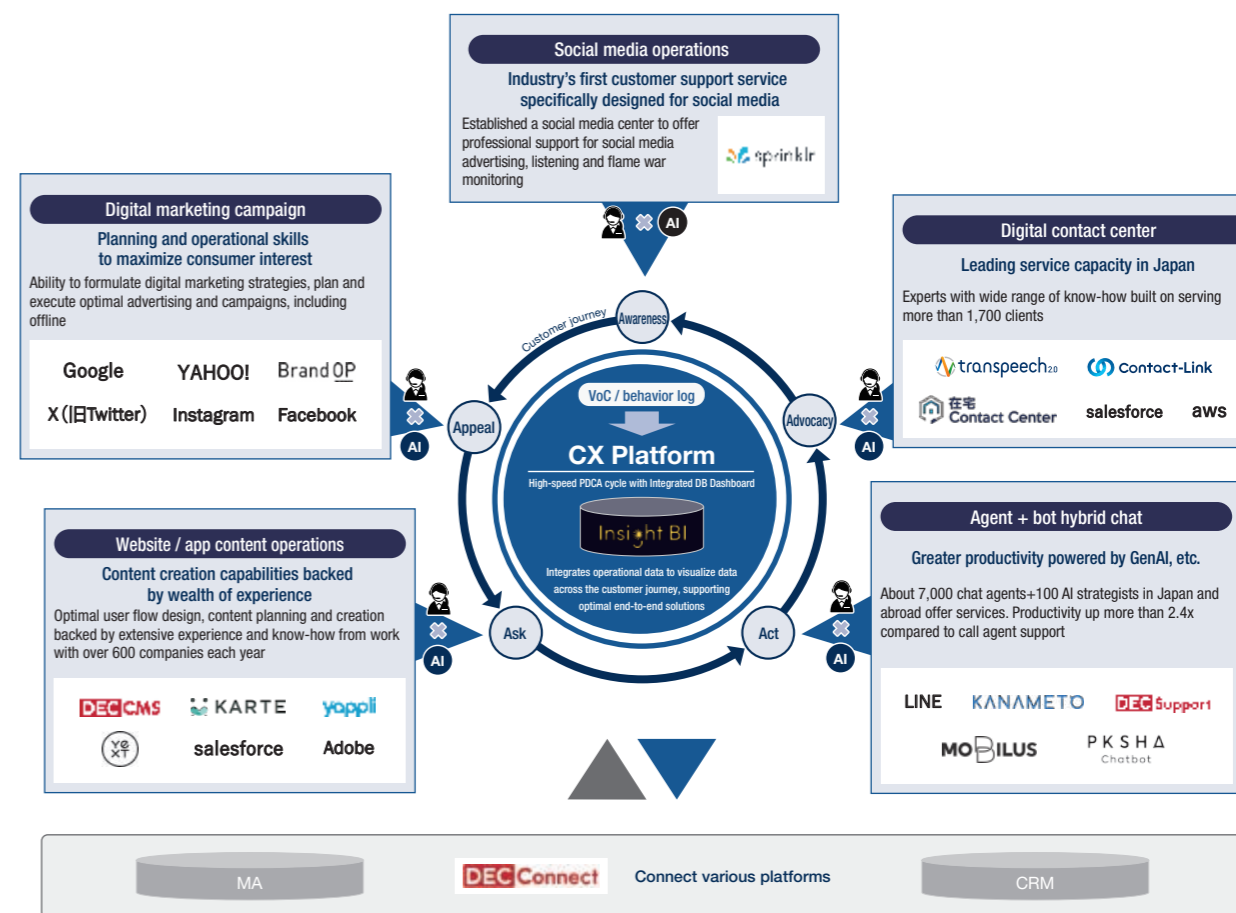
transcocosmos is conducting research and development into next-generation service models while also pursuing full optimization in existing areas. Next-generation service models include service delivery methods in virtual spaces such as the metaverse and mechanisms to realize even higher levels of CX and productivity through the use of generative AI.

We have already started implementing services using the metaverse. Our services for the metaverse cover web support, contact centers, e-commerce sites and online advertising, and have been rolled out at 15 client companies. Our aim is to increase this to 100 companies.



TCI-DX for Support delivers unparalleled usability enhancements and cost reduction through total optimization

TCI-DX for Support is a CX platform that brings together customer service leads from multiple customer touchpoints and organizes and optimizes them into a single line. The platform moves the first point of contact from manned phone lines to online channels, reducing customer care fixed costs and enhancing usability. The use of online chat channels also increases productivity by allowing agents to handle multiple cases and by eliminating the need to create call logs.



Supporting clients' DX projects

transcosmos provides DX support that helps clients optimize costs and functions. One example is our support for a DX project being implemented by Daiwa House Industry Co., Ltd.

Daiwa House Industry is one of Japan's leading companies in the construction industry, with sales of ¥4 trillion. transcosmos's business relationship with the company began in 1999. In that time, we have provided a wide range of support, from outsourced operations such as system development support and design and construction back-office processes, to the development and proposal of measures for embedding tools and improving operational efficiency. With the construction industry facing a decline in the number of engineers and technicians, Daiwa House Industry is now actively engaged in a DX project with the aim of achieving unmanned site management and labor efficiency. Drawing on our more than 20 years of collaboration with Daiwa House Industry, transcosmos is supporting the implementation of the project from various angles, including proposing improvements from a frontline perspective.



Construction site process and how transcosmos provides support



Process	Development	Marketing	Design	Engineering	Construction	Post-construction	
Work	System development and implementation	Planning	Basic design	Implementation design	Build-to-order engineering	Construction and delivery	Post-construction
Support	<ul style="list-style-type: none"> System testing/product development support Introductory training/helpdesk 	<ul style="list-style-type: none"> Design support for business sites/BIM modeling Structural calculations Documentation 	<ul style="list-style-type: none"> Engineering design Budgeting 	<ul style="list-style-type: none"> Workplace safety management support (safety documents/accident insurance) Construction management support 	<ul style="list-style-type: none"> Parts and materials ordering Regular maintenance inspections support 		

Providing meticulous DX support for construction sites

Daiwa House Industry launched a Digital Construction Project (DC-PJ) in 2019 that utilizes digital technology. transcosmos has been involved from the first days of the project, providing intensive support for digital operations in each stage of the company's construction site processes. Our involvement has led to a 300% increase in the use of digital tools in the field and a 96% satisfaction rate at frontline sites. We have also

delivered tangible results in terms of considerable reductions in work hours and greater utilization of IoT tools and robots. As part of this, we have been promoting automation through the use of remote site management cameras. We helped deliver significant improvements in operational efficiency by reducing the time to check recorded footage, which previously took five hours visually but now only takes 20 minutes with our proprietary system.

Needs and outcomes

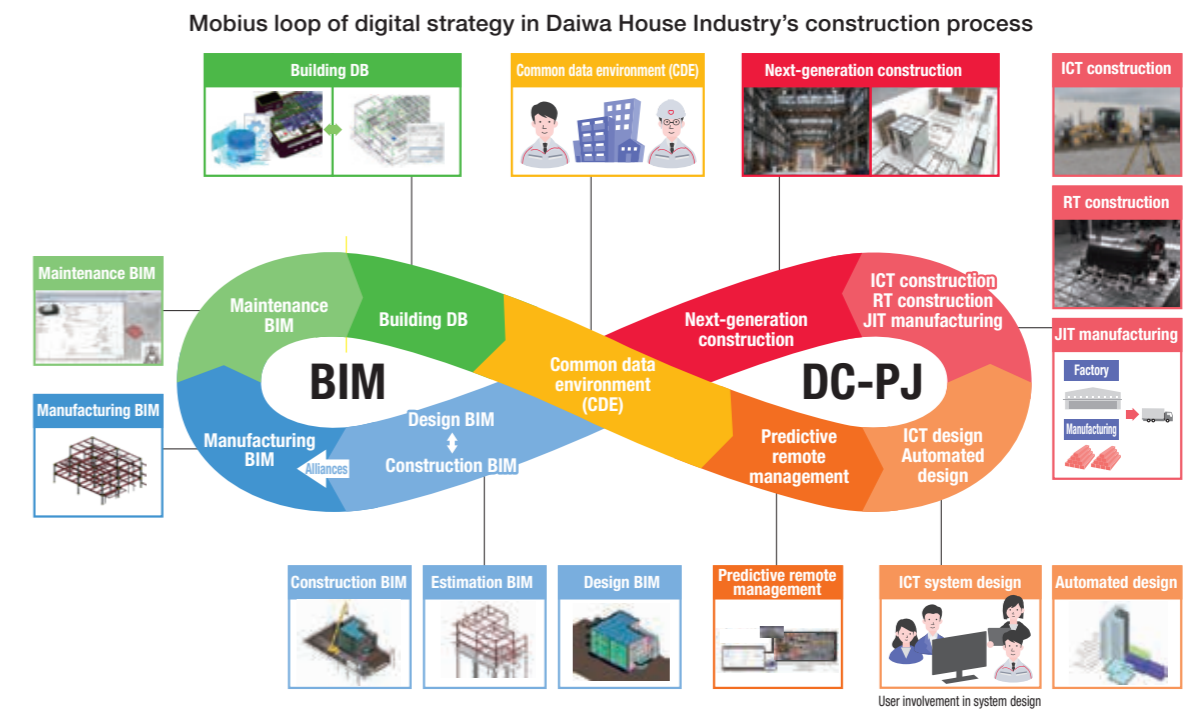
Needs of Daiwa House Industry

Aim to achieve unmanned site management and labor efficiency by increasing digitization rate, enhancing utilization of ICT tools and reducing work hours

Example outcomes

- Increasing digital retention rate and ICT tool utilization rate
Integration and visualization of information through property portal sites and dashboards, etc.
▶ 300% increase in onsite digital tool use, 96% onsite satisfaction rate
- Reduced work hours and greater utilization of IoT tools and robots
Simplified processes in coordinate generation work
▶ 65% reduction in work hours, 35% enhancement in utilization of IoT tools and robots

Total support for deploying and embedding DX measures



Through our collaboration with Daiwa House Industry, we provide extensive and total support from system development to post-construction management, helping to rapidly deploy and embed DX measures in the client's operations.



Circular services that support agile operations and deliver end-to-end optimization

Many of the systems built under the DC-PJ are applied with agile operating models, system development methodologies using the low-code approach rather than the conventional waterfall method, which tends to result in longer development periods. In an agile project management approach, information sharing between all parties is very important because there are frequent releases of the smallest unit of work that bring value to the project. transcosmos is leveraging Daiwa House Industry's commitment to various measures to create "circular services" that put together challenges and requests from the field and feed them back to the planning and development teams as proposals for improvement.

The goal of these "circular services" is to accelerate the entire cycle from integrating inputs from each site, to sharing the information with the development and planning teams, to feeding it back to the site. With the circular services, we aim to underpin agile model project operations and ultimately achieve total optimization via DX.

Handling operations for the client while implementing DX together

When we first started working with Daiwa House Industry in 1999, we provided CAD operations support for detached housing and apartment buildings. Since then, we have built trust with the client through reliable service provision and a broader service offering – from support for production design and construction systems to design structure reforms and measures to introduce and embed BIM.

Rather than entrusting operation of these systems to Daiwa House Industry, we have focused on giving the client access to our "people and technology" as an external resource. For example, even today, we continue to handle many aspects of operation through our own contact centers, compiling all user requests, providing improvement proposals to related parties, escalating issues to vendors, and carrying out day-to-day operational tasks. Going forward, we aim to continue supporting DX at Daiwa House Industry by combining "people and technology" and integrating superior technology.

CTO Message

Utilizing generative AI and other cutting-edge technologies

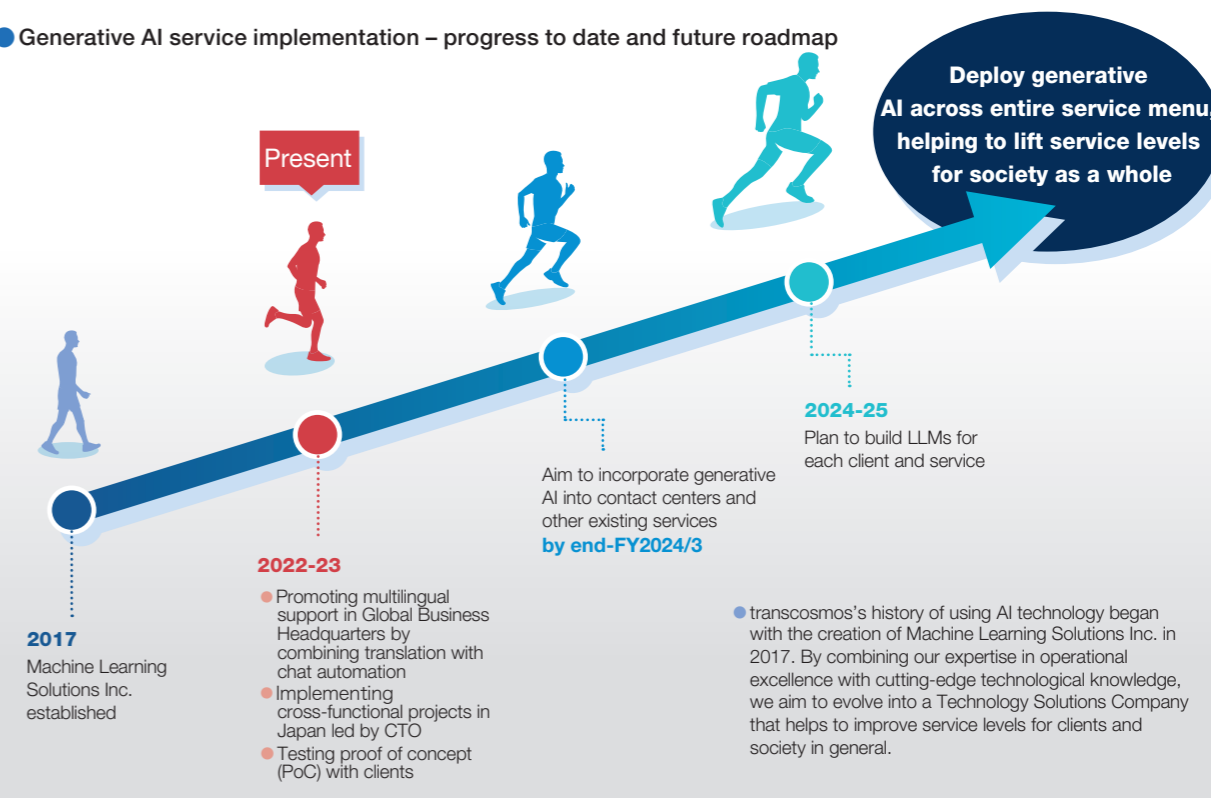
transcosmos helps clients improve operational efficiency and grow sales by handling back-office and CX operations as their professional partner. Our goal is to make a broad impact on society by lifting overall service levels. One tool we are using is generative AI. In this section, Chief Technology Officer (CTO) Kiyoshi Shiraishi explains transcosmos's strengths and vision in generative AI.



Kiyoshi Shiraishi

Director,
Senior Corporate Executive Officer & CTO

Generative AI service implementation – progress to date and future roadmap



Actively adopting generative AI to drive dramatic improvements in business efficiency

Generative AI can create text, images, videos and other content using vast amounts of training data. It has the potential to be adopted in a wide range of different fields. At transcosmos, we are actively working to introduce generative AI into our own operations and at clients to drive dramatic improvements in business efficiency.

We are receiving a large number of AI proof-of-concept (POC) requests from client companies. To address this demand, we have launched a cross-divisional project team staffed by personnel from our legal, CX, BPO, technology and security departments. transcosmos is highly regarded for the positive impact it has made on business efficiency over the years, meaning many companies come to us first for implementing generative AI POC and trials.

Generative AI accelerates optimization across all services

In addition to improving business efficiency, generative AI has the potential to significantly expand business domains. In the BPO services domain, we are already using generative AI for tasks such as daily report creation, and we plan to expand this to all services, including ordering, accounting and human resources. In the CX services domain too, we are testing the use of generative AI in digital marketing, e-commerce and contact center services.

Introducing generative AI is set to dramatically improve overall productivity and quality levels in these service domains. In contact centers, for example, generative AI will power faster responses in hybrid chat services that combine chat agents and AI. Increasing the response speed and accuracy of our contact centers will help clients energize customer behavior. We believe this has the potential to rapidly accelerate the optimization of all client services, including digital marketing and e-commerce.

Mitigating risks and solving challenges are areas where transcosmos excels

Generative AI's main advantage is that anyone can easily generate creative deliverables. But this also carries the risk of copyright infringement, data leaks, poor accuracy and fairness, and potential misuse. Safely using generative AI therefore presents many hurdles and risks, and the only way they can be overcome is through human intervention and the use of other technologies. Combining "people & technology" is where transcosmos excels, and we can use our strengths in this area to mitigate risks and solve challenges. For example, we can apply our BPO expertise to verify the authenticity of deliverables, which will be key to using generative AI safely. transcosmos has an unparalleled advantage with its unique expertise in rapidly and accurately checking large volumes of data.

Prospects for new services powered by generative AI

The Global Business Headquarters already operates various AI-powered services, including multilingual support with automated chat translation. Drawing on this global experience, we plan to incrementally introduce generative AI into domestic services as well. Specifically, we aim to embed generative AI into our chat services by the end of FY2024/3 as the first step to building large language models (LLMs) for each client company and each transcosmos service within a few years.

To execute these projects reliably and rapidly, we are working closely with Machine Learning Solutions Inc. (see box below), a Group company involved in helping AI application in business from a scientific perspective.

As stated in the origin of our business – "people & technology" – transcosmos is both a "people" company and a "technology" company. By harnessing the power of various technologies, including generative AI, we aim to dramatically improve service quality at client companies, contributing to higher service levels across society as a whole.

Cooperation with Group companies

Developing science-led AI solutions Machine Learning Solutions Inc.



Our Group company Machine Learning Solutions is run by a team of researchers with intimate understanding of the latest AI technologies and theories and a proven research track record, including papers presented at international conferences. Machine Learning Solutions has close ties to academia, including university AI research laboratories, helping to bridge the gap between cutting-edge academic research and practice. The company's extensive experience in applying AI knowledge to real-world business situations allows it to propose science-led solutions and innovative AI technologies.

Working with diverse Group companies

We work closely with many different Group companies to enhance existing businesses and drive innovation through the use of digital technology. Each Group company leverages high levels of expertise and technological skill in their respective field to help client companies implement DX and solve challenges.

● Examples of Group synergies in DX support services



CX

Japan's largest streaming video provider
J-Stream Inc.



Marketing support services provider
me&stars inc.



Joint venture with LINE Corporation
transcosmos online communications inc.



Staffing solution agency
transcosmos Partners inc.



Cosmetics and commodities distributor for online retailers
UNQ HOLDINGS LIMITED (China)



Leading online advertising company in South Korea
eMnet Inc. (South Korea)



Operator of the largest daily deal e-commerce website in the Philippines and Thailand
MetroDeal Co., Ltd. (Thailand)



Research and analytics service company
transcosmos analytics Inc.



Service provider of shopping mall mobile-app "Gotcha!mall"
Grand Design Co., Ltd.



Developer and operator of information systems
transcosmos digital technology inc.



Provider of brand operation services for consumer brand experiences
Brand Operations inc.



China's largest e-commerce support company focusing on apparel
MAGIC PANDA (Shandong) Group Co., Ltd. (China)



MAGIC PANDA INTERNATIONAL

FinTech company
Soft Space Sdn. Bhd. (Malaysia)



Supplier of superior and attractive Japanese products to overseas markets
TAKASHIMAYA TRANSCOSMOS INTERNATIONAL COMMERCE PTE. LTD. (Singapore)

TAKASHIMAYA TRANSCOSMOS INTERNATIONAL COMMERCE PTE. LTD. (Singapore)



Latin America's e-commerce and digital business one-stop services company
Infracommerce CXAAS S.A. (Brazil)



BPO

System integration solutions company, leveraging CAD, GIS and numerical analysis
APPLIED TECHNOLOGY CO., LTD.



Developer and operator of information systems
transcosmos digital technology inc.



Staffing solution agency
transcosmos Partners inc.



Shared services company that provides HR services for Fujitsu and its group companies
FJ transcosmos Human Resource Professionals Limited



Shared services company that provides services for Toshiba and its group companies
TT Human Asset Service Corporation



Provider of all types of BPO services
TT Process Management Inc.



Shared services company that provides services for Tohoku Electric Power and its group companies
Tohoku Electric Power Transcosmos Management Partner Company, Inc.



ALL

IT consulting firm
Skylight Consulting Inc.



Staffing solution agency
transcosmos Partners inc.



Provider of communication services based on e-ticketing system "QuickTicket"
playground Co., Ltd.



Developer and operator of information systems
transcosmos digital technology inc.



Special-purpose subsidiary promoting employment of people with special needs
transcosmos assist inc.



Developer of science-led AI solutions
Machine Learning Solutions Inc.



MACHINE LEARNING SOLUTIONS

*Some subsidiaries and affiliates not shown
*Excludes overseas subsidiaries and overseas wholly owned subsidiaries

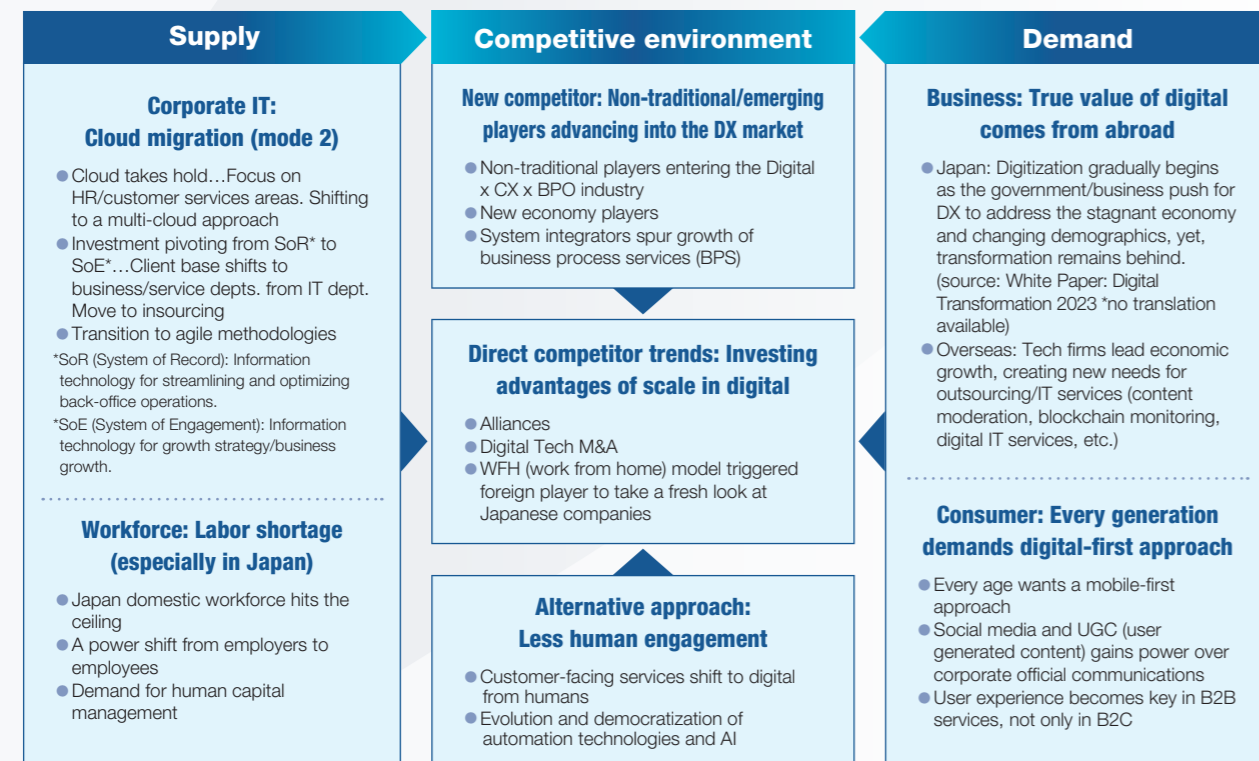
Our Growth Strategy

For many years we have provided our technology and people, the users of the technology, as a service to client companies, foreseeing the ways clients deploy IT within their organizations. Now, in response to developments in the operating environment, we formulated our new medium-term business plan for FY2024/3-FY2026/3 with the goal of further evolving our services and businesses and strengthening the management base to support that process. Under the plan, we aim to continue evolving into a Global Digital Transformation Partner that delivers optimum customer experiences and productivity to clients while also contributing to the creation of a sustainable society.

Operating landscape

In the service field where transcocosmos deploys its “technology x people” services, competition is intensifying worldwide, with new market entrants from different sectors and legacy competitors aggressively investing in digital technology. This reflects a number of trends, such as the shift in enterprise IT to the cloud, changing consumer behavior, the emergence of digital native businesses, and Japan’s delayed progress in DX.

For transcocosmos to deliver sustainable growth in this climate, we have to further optimize the Group’s operations and provide services from the consumer’s perspective. We will keep up with rapid changes in overseas markets and moves by competitors while also channeling management resources into areas where we can create greater value – fields where technology is evolving and we can expand the scope and reach of our business.



*Edited/Published by Information-Technology Promotion Agency

Strategic priorities based on the current market landscape

- Take tech strategy to the next level (tech-driven to user-driven, partial to total optimization, use cloud interconnection)
- Global market remains the greatest growth opportunity, accelerate global growth amid increasing alliance formations (partner with growth companies, add new services).
- Proactively reallocate management resources to win in an ever-expanding battlefield (strike balance between company-owned assets and the use of partnerships)

Outline of medium-term business plan FY2024/3-FY2026/3

We have set three goals in the new plan based on our understanding of the current market landscape. We will work to achieve these goals by implementing five strategies. Under the plan, we are targeting net sales of at least ¥450 billion and an operating margin of 6.0-8.0% in FY2026/3.

Global Digital Transformation Partner

Deliver the optimum customer experience and productivity to clients using cutting-edge digital technologies, and contribute to the creation of a sustainable society.

Vision

Evolve into a Technology Solutions Company from a company with operational excellence

- Leverage the CX platform (fully optimized user touchpoints) and digital BPO (fully optimized business processes) using the latest cloud technology and data
- Accelerate customer success by utilizing digital tools to maximize the customer experience and productivity

Become the unparalleled leader in Asia and a top-five global CX/BPO services player

- Promote organic collaboration between the Group’s 172 global sites in Japan, China, South Korea, ASEAN, US and Europe to reinforce the Group’s sustained growth
- Maximize earnings by capturing the growth potential of global clients
- Use the Group’s network to tap into new market opportunities

Meet expectations of all stakeholders including clients, employees and shareholders, and serve society

- Commit to fairness, trust, quality, continuity, innovation, customer success and growth, remain a partner for solving social problems with a diverse business and service portfolio

Strategy

- 1** Pivot to a platform business model (platform as-a-service)
- 2** Structural reform for greater quality/profits by service standardization
- 3** Develop new business and drive R&D by maximizing our global network
- 4** Reinforce systems and develop people to win in a growing global market
- 5** Develop a global management base (Finance, HR, Marketing, ESG)

FY2023/3 Actuals

Net sales ¥373.8 billion
Operating margin 6.2%

FY2026/3 Targets

Net sales ¥450.0 billion or higher
Operating margin 6.0-8.0%

Five strategies to achieve the goals of the medium-term business plan

We will implement five strategies to achieve the goals of medium-term business plan FY2024/3-FY2026/3. We will continue our pivot to a platform business model and standardized services, as well as strengthen our organization and develop talent to deliver growth in the global market. We will also develop next-generation services and build the Group's global management base.

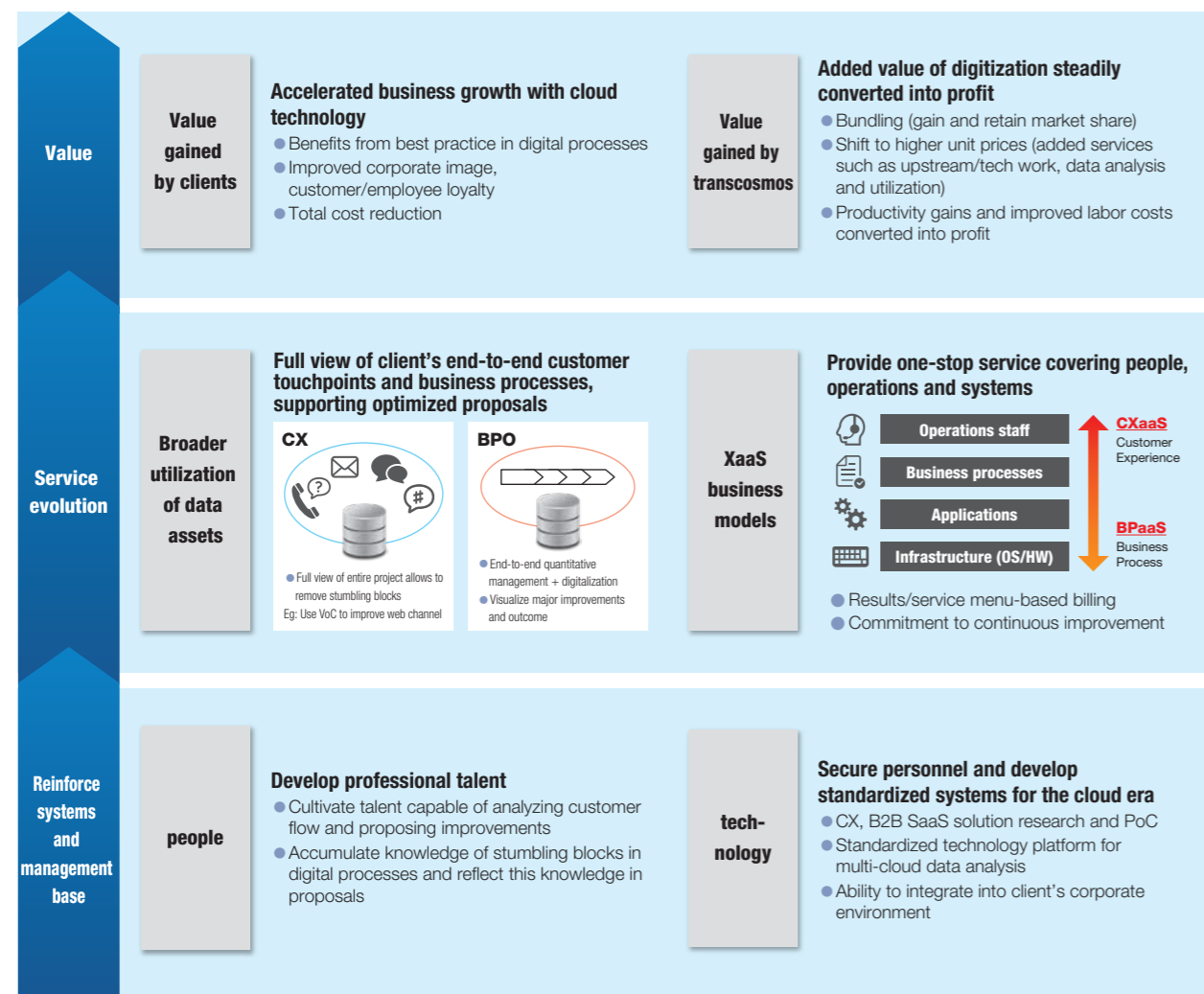
Strategy 1 Pivot to a platform business model

In the CX service domain, we are deploying our proprietary platform, TCI-DX for Support. Using voice of the customer (VoC) and customer behavior logs as the starting point, the platform fully optimizes all customer care channels while reducing costs and improving usability.

In the BPO service domain, we are deploying Digital BPO services that combine "people & technology" in various domains, including helpdesk, corporate operations and system development to support clients' back-office DX.

Instead of simply providing value in terms of people and technology, we will pivot to a "platform as-a-service" model that provides value as a one-stop service combining people, operations and systems.

Pivoting to a platform business model



Strategy 2 Structural reform for greater quality/profits by service standardization

One of the plan's key initiatives for generating profits is quality control through service standardization. Standardizing services allows us to set operational quality and processes, which can then be adapted to our service offerings for clients. This helps minimize the complexity of managing projects on a case-by-case basis and management costs.

Standardized services also allow us to accelerate talent development, ensuring our people are frontline-ready even faster. This will involve developing packaged training programs tailored to standardized operations so that our people gain the necessary expertise and experience in a short space of time.

Also, as standardized services are more widely deployed, we can step up the rollout of automated solutions. Through standardization efforts, we will maximize ROI in business process design and system development.



Strategy 3 Develop new business and drive R&D by maximizing our global network

To meet the emerging needs of our clients, we are developing next-generation services that utilize the latest and most advanced digital technologies, including the metaverse and generative AI. We will constantly explore possibilities for high-value-added service models and new businesses by leveraging the advanced technology and expertise of Group companies and our global network, centered on our Silicon Valley office.

For specific initiatives see page 28, Our DX Business

Strategy 4 Reinforce systems and develop people to win in a growing global market

We are active in 28 markets around the world, primarily in Asia. We are fielding an increasing number of orders from client companies that operate globally.

To enhance our ability to respond to the needs of these global clients, we will pivot to an integrated service model by combining our current standalone services in each country and region.

To support this, we will work Groupwide to build shared financial and governance structures and create a global talent pool.

For more information on our global talent pool see Strategy 5 below

Strategy 5 Develop a global management base

We will build a Group management base to maximize transcocosmos's value as a conglomerate operating across many business domains.

We will improve the accuracy of management decisions through initiatives that align with environmental, social and governance (ESG) frameworks, enhance dialogue with the market, maximize growth opportunities by boosting marketing efforts, and respond to changes in the labor market.

One specific initiative is our Management Development Project. We have started building a global talent pool with the aim of identifying, selecting and developing talented leaders from across the Group in the 20 to 40 age range.



Promoting transcocosmos as a company where people can have a meaningful social impact

To help clients provide the best-possible customer experience and reform productivity, and to contribute to the creation of a sustainable society, transcocosmos needs to grow sustainably and be valued by society as a whole, not just its immediate stakeholders.

In February 2023, we welcomed environmental management expert and former Administrative Vice-Minister at the Ministry of the Environment, Hideka Morimoto, as an advisor on environmental management issues to support our efforts to enhance sustainability management. Satoshi Takayama, officer in charge of sustainability promotion, sat down with Mr. Morimoto to talk about how addressing environmental issues holds the key to improving business efficiency and creating new businesses, and underpins ideal relationships between employees, companies and society.



Hideka Morimoto

Graduated in private law and political science from the Faculty of Law, University of Tokyo. Joined the Environment Agency (now the Ministry of the Environment) in 1981 and subsequently served in a number of roles, including Private Secretary, Director General of Environment Agency; Deputy Director General, Nuclear Regulation Agency; Councilor, Cabinet Secretariat; Senior Fellow of the United Nations University (UNU); Research Fellow at the East West Center (US); and Administrative Vice-Minister, Ministry of the Environment. His current role is Professor, Faculty of Law, Waseda University.



Satoshi Takayama

Corporate Executive Officer
Division Manager, Government Relations & Public Affairs Division, Business Development Sector; Deputy Headquarters Manager and responsible for Sales Division VI, Sales Headquarters; Department Manager, Sustainability Promotion Department, Corporate Management Headquarters, transcocosmos inc.

transcocosmos is committed to realizing sustainability management (Takayama)

The business community is enthusiastic about environmental management, but that alone is not enough (Morimoto)

Takayama: transcocosmos is listed on the Tokyo Stock Exchange Prime Market and is a member of the JPX-Nikkei 400. We were also selected as a Noteworthy DX Company in FY2023/3. As of end-June 2023, transcocosmos was a constituent stock in the FTSE Blossom Japan Sector Relative Index, but we are aiming for an ESG Rating of 3.3 or higher to be included in the FTSE Blossom Japan Index. To help us, we brought on board Mr. Morimoto to advise us about enhancing sustainability management. Mr. Morimoto, please tell us about your area of expertise, environmental management.

Morimoto: Environmental management is about achieving sustainable corporate growth by focusing on reducing environmental impact, rather than through

FTSE Blossom Japan Index – transcocosmos's scores

Assessment theme	2021	2022	2023	2025 (targets)
E Climate change	0	0	1	2
S Human rights & community	3	2	3	3.5
Labor standards	3	3	3	3.5
Anti-corruption	1	1	2	2.5
G Corporate governance	4	4	4	4
Total score	1.7	1.5	2.3	3.3

social contribution. transcocosmos's core business involves taking on the business processes of client companies to help them streamline operations, save labor and cut energy use, thereby reducing their Scope 1 and Scope 2 environmental impact. Through this business process outsourcing, transcocosmos makes a positive contribution to reducing environmental impact. In my role as advisor, I want to explore what direction transcocosmos should take to play a useful role in society as a whole.

How should transcocosmos increase its corporate value? (Takayama)

People need to think that working at transcocosmos has a meaningful social impact (Morimoto)

Takayama: Our founder, Koki Okuda, was fond of saying that customer satisfaction is not just about doing what the customer says, but also understanding what they are thinking and acting on that too. With sustainability now firmly in the spotlight, I think transcocosmos can increase its corporate value by driving positive change from an ESG perspective, even without clear direction from clients. What steps should we take to achieve this?

Morimoto: With Japan facing a rapidly growing labor shortage and job mobility, we need to show young people that working at transcocosmos can have a meaningful social impact. For example, when we think about "well-being," this previously meant driving a nice car or living in a beautiful house. But that has changed. Many people now choose not to buy a car, no matter

how nice it is, if it has a harmful environmental impact. This kind of thinking and behavior is feeding into different approaches to well-being. Given this trend, I think transcocosmos should link its business values and services more closely to its management philosophy, visualize its social impact using KPIs, and communicate this clearly to stakeholders.

Takayama: I see, thank you. Our first objective is to make the Group's existing businesses sustainability-ready. We will then use knowledge gained from this process to support the sustainability efforts of our clients. Also, we will set our ESG score as a KPI and disclose the Group's performance against this benchmark to raise stakeholder awareness. In addition, we have designed a value creation story based on transcocosmos's Fundamental Management Philosophy – Client satisfaction is the true value of our company, and the growth of each of our employees creates the value that shapes our future. We have created a Fundamental Sustainability Policy – linked to our medium-term business plan – with KPIs formulated for each category using backcasting, to ensure the policy is implemented



across the entire Group. I believe if we can gain a high ESG score linked to business performance, clients, investors and society as a whole, as well as employees, will start to see transcocosmos as a company that has real social value.

transcocosmos will work with clients to create a sustainable society (Takayama)

You need to "showcase" those efforts (Morimoto)

Takayama: What are the latest sustainability trends in the business world?

Morimoto: Achieving carbon neutrality is now a global trend, but only around 60% of greenhouse gas emissions can be reduced through the use of renewable energy and other means. To eliminate the other 40%, we will need to build a circular economy. The most obvious example of how we can do this is called "servicizing." In simple terms, this means selling cleaning services instead of washing machines, for example. This creates added value for customers while also reducing resource inputs in product manufacturing and minimizing environmental impact by optimizing resource usage.

Takayama: In transcocosmos's case, we provide technology services using intangible assets that sit at the core of our business – people & technology. We can say that providing the same or higher level of service with fewer people by utilizing digital tools equates to an increase in value. We also need to communicate that this helps reduce environmental impact and is an effective business model. Additionally, transcocosmos is developing new businesses that provide

value in the form of lower environmental impact, and we are investing in new solutions that incorporate technologies such as AI and data analysis. Also, through our membership of external organizations, we have been playing an active role in setting new rules that solve key challenges faced by society. For example, transcosmos took the lead in establishing the Social Media Counseling Association, a general incorporated foundation, and developed guidelines for consulting services in the educational field.

Morimoto: Of course, transcosmos should clearly “showcase” all those elements of its business. I would like to ask you about one of the Group’s intangible assets, “people.” I understand that you are actively engaged in human capital management. What approach do you take?

Takayama: Our talent strategy is formulated and implemented in line with the three perspectives and five common factors set out in the Ito Report on Human Capital Management, published by the Ministry of

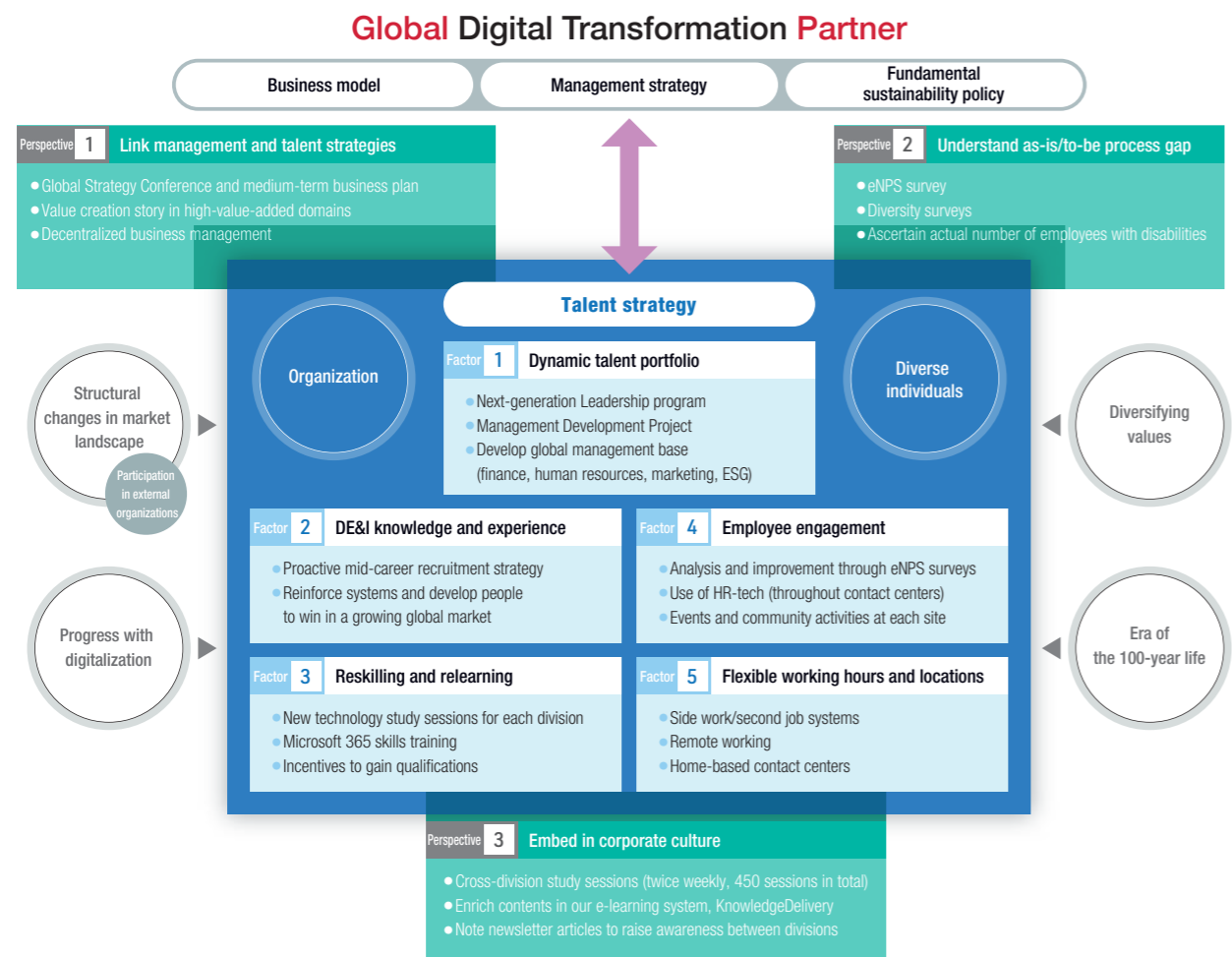
Economy, Trade and Industry. Specifically, in terms of reskilling, we are nurturing sustainable talent by providing new Microsoft 365 training to members who previously handled customer services in call centers to help them shift to other roles that are in higher demand. We are also driving a broader reskilling trend in society by offering our expertise in this area as a service to local governments and encouraging a smooth shift in labor to growth sectors of the economy.

We want to increase corporate value by linking the well-being of employees, clients and society (Takayama)

Companies can change the world if they follow transcosmos and work to achieve the SDGs (Morimoto)

Takayama: How would you like to be involved with our company in the future?

Human Capital Management transcosmos has firmly aligned its management strategy, business model and fundamental sustainability policy with its talent strategy and is implementing a range of human capital management initiatives.



Morimoto: I would like to evolve into a kind of business advisor role, where I help transcosmos reflect the latest sustainability trends in its business. If information services companies like transcosmos start to seriously address sustainability, they can really change the world.

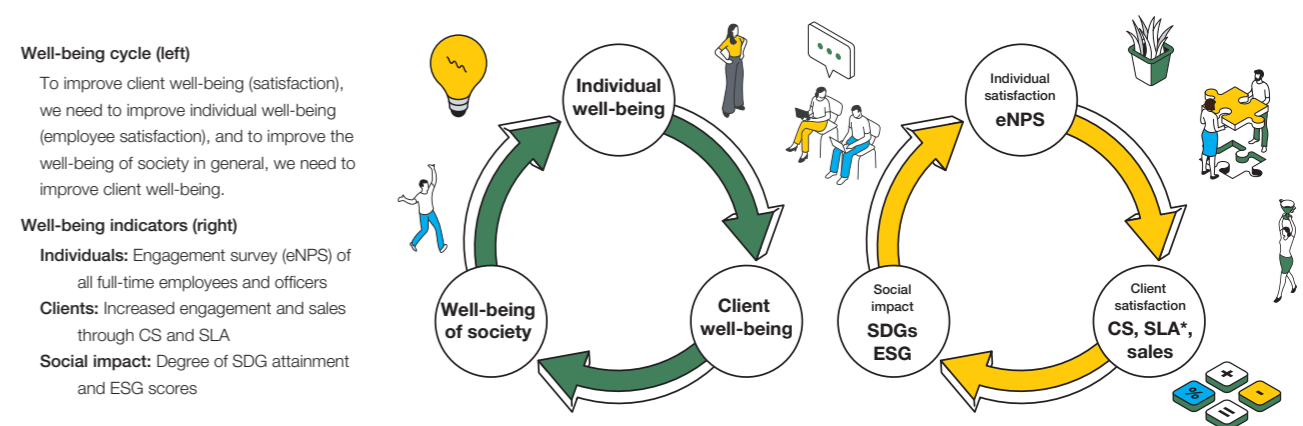
Takayama: To maximize the well-being of society, we have set KPIs for society satisfaction, client satisfaction and employee satisfaction, backcasting from our vision of a “well-being society” by 2050. Employee satisfaction is of course vital to improving client satisfaction, but by

lifting satisfaction levels at numerous client companies, we can have a positive impact on society as a whole, which flows back to our employees. Our KPIs for each of these areas are therefore linked. We are in the final stages of creating a roadmap for this process. I look forward to receiving valuable advice from you. Thank you.

Morimoto: Indeed. Exciting times!

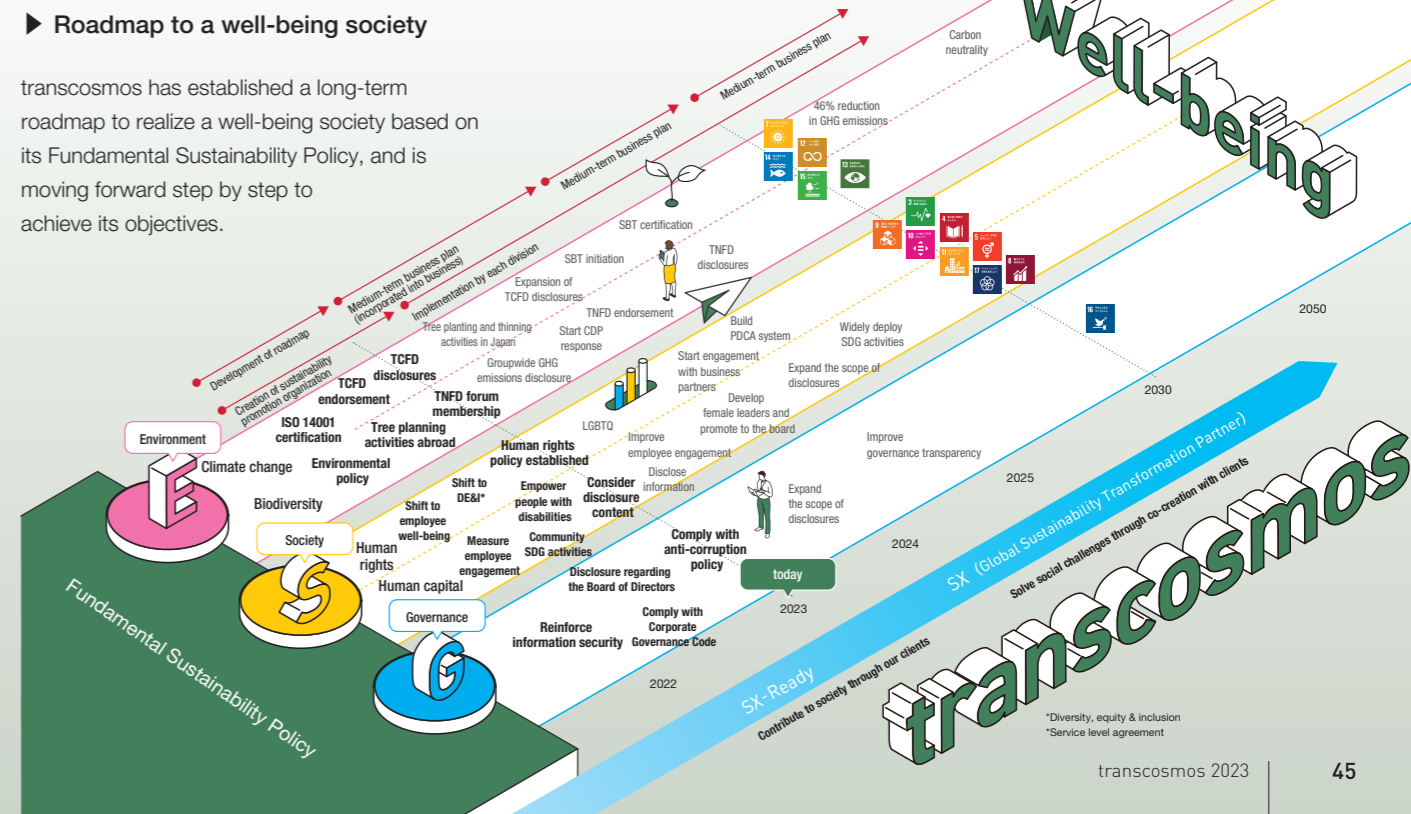
Well-being cycle and indicators

Guided by our Fundamental Management Philosophy, we aim to grow the Group’s earnings and improve the lives and happiness of all our stakeholders (increase well-being) to drive growth, and in turn, realize a sustainable society. Specifically, we will mobilize the three elements of the well-being cycle to achieve our KPIs.



Roadmap to a well-being society

transcosmos has established a long-term roadmap to realize a well-being society based on its Fundamental Sustainability Policy, and is moving forward step by step to achieve its objectives.



Our ESG

transcosmos positions environmental, social and governance (ESG) initiatives as the foundation of value creation. We have formulated a Fundamental Sustainability Policy (see page 26) with the aim of achieving growth and realizing a sustainable society. We have also established the transcosmos SDGs Committee, chaired by the Company's Representative Director & Chairman, to lead our efforts to address important management issues related to sustainability, such as climate change, empowering women in the workplace and hiring people with disabilities.

E	<div style="text-align: center;">  <p>7 AFFORDABLE AND CLEAN ENERGY</p> </div> <div style="text-align: center;">  <p>12 RESPONSIBLE CONSUMPTION AND PRODUCTION</p> </div> <div style="text-align: center;">  <p>13 CLIMATE ACTION</p> </div>	<p>Environmental policy 47</p> <p>Environmental management system 47</p> <p>Information disclosure based on TCFD recommendations 47</p>	
	<div style="text-align: center;">  <p>14 LIFE BELOW WATER</p> </div> <div style="text-align: center;">  <p>15 LIFE ON LAND</p> </div>		
	S	<div style="text-align: center;">  <p>3 GOOD HEALTH AND WELL-BEING</p> </div> <div style="text-align: center;">  <p>4 QUALITY EDUCATION</p> </div> <div style="text-align: center;">  <p>5 GENDER EQUALITY</p> </div> <div style="text-align: center;">  <p>8 DECENT WORK AND ECONOMIC GROWTH</p> </div>	<p>Employee well-being 27</p> <p>Developing professional talent with a high level of expertise 50</p>
		<div style="text-align: center;">  <p>9 INDUSTRY, INNOVATION AND INFRASTRUCTURE</p> </div> <div style="text-align: center;">  <p>10 REDUCED INEQUALITIES</p> </div> <div style="text-align: center;">  <p>11 SUSTAINABLE CITIES AND COMMUNITIES</p> </div> <div style="text-align: center;">  <p>17 PARTNERSHIPS FOR THE GOALS</p> </div>	<p>Diversity, Equity & Inclusion (DE&I) 52</p> <p>Contributing to local communities 57</p>
		G	 <p>16 PEACE, JUSTICE AND STRONG INSTITUTIONS</p>

For more information on our ESG initiatives, please refer to our website.
▶ <https://www.trans-cosmos.co.jp/english/ir/esg.html>



Addressing climate change

transcosmos promotes environmental management, including initiatives to address climate change, in line with its Fundamental Sustainability Policy and Environmental Policy. On March 1, 2023 we began disclosing information in line with the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD).

Environmental policy

As a Global Digital Transformation Partner that helps clients increase customer loyalty, expand sales and profits and digitize business processes, transcosmos engages in environmental protection and conservation initiatives to contribute to the continued development of a sustainable society.

Environmental management system

To comply with clients' green supply chain requirements, our headquarters and Osaka head office have both obtained ISO 14001 certification, the international standard for environmental management systems.



Information disclosure based on TCFD recommendations

transcosmos discloses information in four categories in line with the TCFD recommendations: governance, risk management, strategy and metrics & targets.



Governance

The transcosmos SDGs Committee is responsible for planning, discussing and making decisions on measures related to sustainability, including the formulation of policies for addressing climate change risks and profit opportunities, and greenhouse gas emission reduction targets and initiatives. Based on plans finalized by the committee, the Sustainability Promotion Department conducts reviews and reports the results of the reviews to the committee.

Risk management

The Board of Directors receives reports from the transcosmos SDGs Committee on sustainability-related risks, including climate change risks. Using these reports, it identifies and evaluates risks based on their impact on the environment and society. As a Global Digital Transformation Partner that helps clients increase customer loyalty, expand sales and profits and digitize business processes, transcosmos engages in environmental protection and conservation initiatives to contribute to the continued development of a sustainable society. We aim to realize environmental management in our business activities through the policies explained on the following pages.

Strategy 1 Identifying and defining the range of scenarios

We have defined worldviews under two different global warming scenarios published by the Intergovernmental Panel on Climate Change (IPCC) and the International Energy Agency (IEA): 1) a rise of less than 2°C (including 1.5°C) in average global temperature, and 2) a rise of 4°C in average global temperature. Based on these scenarios, we have evaluated risks and profit opportunities with the potential to impact our business between now and 2050.

Strategy 2 Identifying risks and revenue growth opportunities

Our scenario analysis shows that the “less than 2°C (including 1.5°C) scenario,” which assumes the implementation of strict policies and regulations to move toward a decarbonized society, is likely to create risks and revenue opportunities in the transition phase, while the “4°C scenario,” which assumes a continuation of current policies, is likely to result in physical risks and revenue opportunities. transcocosmos will continue to conduct scenario analysis on an ongoing basis and implement measures to address any material identified climate change risks and revenue opportunities in order to mitigate risks and capture revenue opportunities.

Below 2°C (including 1.5°C)				
Category	Description	Impact		Our Response
		2030	2050	
Transition Risk	Policy/Regulation			
		Moderate	Moderate	<ul style="list-style-type: none"> Expand the scope of environmental management systems to include more business locations. Switch to renewable energy.
		Low	Low	<ul style="list-style-type: none"> Implement environmental management systems to streamline operations.
Transition Risk	Market	Moderate	Moderate	<ul style="list-style-type: none"> Establish environmental objectives using environmental management systems. Expand the scope of environmental management systems to include more business locations.
		High	High	<ul style="list-style-type: none"> Review and enhance information disclosure in line with the TCFD recommendations on an ongoing basis. Expand the scope of environmental management systems to include more business locations. Enhance the well-being of our people, organizations, and clients by the following actions; <ol style="list-style-type: none"> Ensure the safety of our people and strengthen BCP across transcocosmos. Diversify disaster risks to our facilities by further increasing home-based contact centers. Develop a pandemic response plan for offices.
	Reputation	Moderate	High	<ul style="list-style-type: none"> Enhance ESG disclosures and receive higher ratings from rating agencies.
Transition Revenue Growth Opportunity	Market	High	High	<ul style="list-style-type: none"> Sort out our existing services through an ESG lens. Create Green Transformation business. Monetize our environmental management systems.
	Reputation	High	High	<ul style="list-style-type: none"> Create Green Transformation business. Increase business with clients, suppliers and partners taking climate actions. Carry out environmental initiatives involving our people (education, tree planting activity, etc.) Promote zero emission strategy such as using solar energy, etc.

4°C				
Category	Description	Impact		Our Response
		2030	2050	
Physical Risk	Acute	Moderate	Moderate	<ul style="list-style-type: none"> Identify, analyze and mitigate risks on a regular basis. Enhance the well-being of our people, organization and clients by the following actions; <ol style="list-style-type: none"> Ensure the safety of our people and strengthen BCP across transcocosmos. Diversify disaster risk to our facilities by further increasing home-based contact centers. Develop a pandemic response plan for offices.
		Moderate	Moderate	
Physical Risk	Chronic	Low	Low	<ul style="list-style-type: none"> Install air conditioners with high energy efficiency. Extend the “Cool Biz” campaign period, a period to promote energy conservation by allowing our people to dress casually.
		Low	Low	
Physical Revenue Growth Opportunities	Acute	High	High	<ul style="list-style-type: none"> Standardize operations and increase flexibility in service delivery. Create Disaster-prevention Digital Transformation (DX) business. Create Green Transformation business. Sort out our existing services through a BCP lens and promote the services as decarbonization and BCP services.
		High	High	

*Business impact levels are assessed based on the following criteria; High: ¥1 billion or more, Moderate: ¥100 million to less than ¥1 billion, Low: Less than ¥100 million.

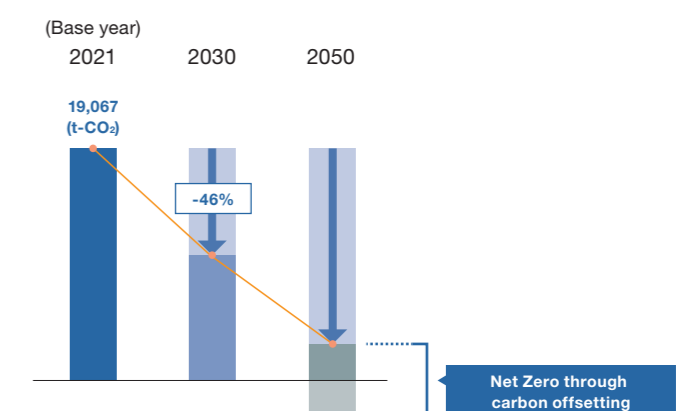
Metrics & targets

transcocosmos monitors the Group’s emissions of greenhouse gases (Scope 1 + 2) and has set reduction targets. In accordance with interim targets formulated by the Japanese government, we aim to reduce CO₂ emissions by 46% in 2030 compared with levels in FY2022/3 and achieve net zero CO₂ emissions by 2050.

transcocosmos's greenhouse gas emissions

FY2022/3 Emissions (t-CO ₂)	
Scope 1	434
Scope 2	18,633
Total (Scope 1+Scope 2)	19,067

CO₂ emissions (Scope 1+2) reduction targets



*Above data is for greenhouse gas emissions at transcocosmos inc. only
*CO₂ is the only applicable greenhouse gas for transcocosmos inc.

Developing professional talent with a high level of expertise

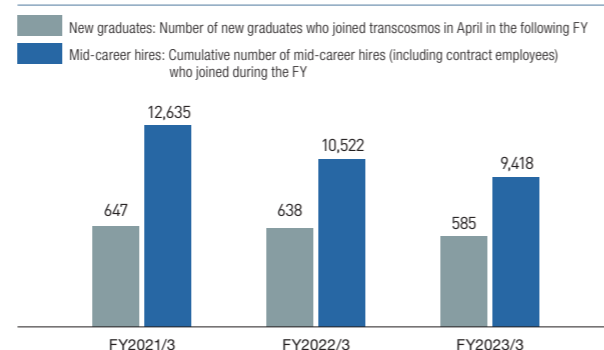
transcosmos invests in human capital to realize its corporate vision, based on the belief that developing highly skilled professionals who understand our values is key to providing high-value-added services. In addition to securing and developing talent, we are working to embed transcosmos's Fundamental Management Philosophy, which underpins our provision of added value. We also hold financial results briefings for employees to promote greater understanding and awareness of transcosmos's management actions.

Attracting diverse talent

We are working to promote public understanding of transcosmos to help with the recruitment and retention of talented new graduates, mid-career hires and experienced workers. Specifically, we are adding more content to easy-to-understand videos about what makes transcosmos appealing as a company – something that is difficult to convey through print media. For new graduates, we provide onboarding programs for prospective employees, including training sessions aimed at improving workplace readiness and basic business skills before they are assigned to a division, in order to increase employee retention.

For mid-career and experienced employee recruitment, we mainly use Work it!, our website designed to hire the large number of outsourcing service agents that our Group needs.

Recruitment trends (parent company)



Talent development programs

We have various schemes in place to help employees realize their full potential and drive their personal development across different roles in the Group. Also, amid an increase in teleworking and changes in learning approaches, particularly among young people, we are moving training courses online and expanding the range of video content for microlearning and other learning styles.

More than 400 training programs

We offer more than 400 mandatory, elective and optional training programs that help each employee develop in line with skill levels.

Qualification scholarship scheme

This scheme supports employee self-development by providing a lump-sum payment according to the qualifications gained. The scheme covers a wide range of categories, including IT skills such as expertise in the latest technologies, specialist skills such as web design and architecture, and business skills such as TOEIC and bookkeeping. We provided 1,337 grants in FY2023/3.

IT and DX talent development

To ensure transcosmos delivers optimal IT solutions that match client needs, we are enhancing training programs

aimed at developing people with high-level IT and DX skills.

Technical training

We have established training courses to help our employees acquire advance technical expertise in areas such as IT engineering, CAD engineering, web engineering, planning and marketing, which underpin the provision of different types of services.

Workshops

In sales and service departments, we run various study seminars to keep up to speed with the latest technological knowledge and best practices and to gain insights from the experience and know-how of senior colleagues, helping us develop and propose optimal solutions.

Future manager development

We are enhancing talent development programs for management personnel to support the Group's sustainable management and business activities.

Selective next-generation leadership development program

This program has been established to create the next generation of leaders who will be responsible for the Group's management and global expansion. Candidates are selected from new graduate or mid-career recruits and are offered various opportunities such as internal and external management training, support for career development, and face-to-face sessions with senior executives to discuss the future of the organization.

Managerial training

To ensure management quality, we have defined the necessary skills for managerial roles (section manager and higher) and created a training course covering standard knowledge needed to manage an organization and appropriate organizational management methods based on proper understanding of our Management Philosophy, regulations and systems.

Career consulting

transcosmos has set up a Career Consulting Center to support employee development and energize our organization. Consultants provide support for independent career development and help employees address concerns, such as lack of future direction and uncertainty about the best career path for their personality.

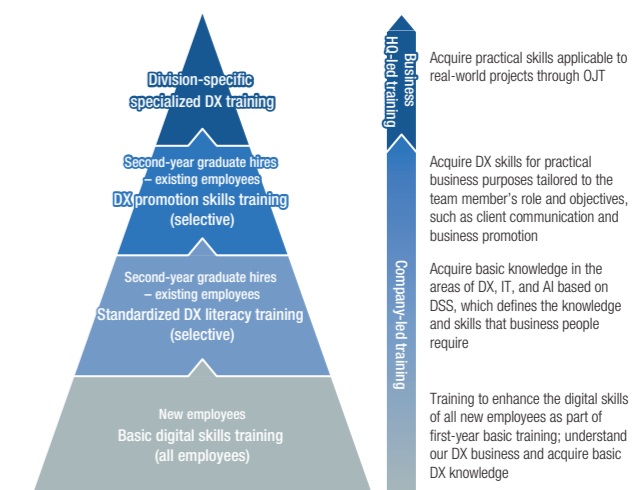
Communicating and instilling our Fundamental Management Philosophy

Many of our training programs include modules aimed at communicating and instilling in employees our philosophy and values, passed down for more than 50 years since the first days of the Company. By sharing the same understanding of our Fundamental Management Philosophy – common principles for all employees – we aim to help every employee achieve both career and personal growth and the Group's sustainable growth based on three core principles: "customer satisfaction first," "people & technology" and "hands-on management."

Developing DX talent (reinforcing digital skills)

To develop DX talent, who are increasingly important to our Group amid the accelerating pace of corporate DX, we launched a new digital training program for new graduate recruits and existing employees in 2018.

For new graduates, we have strengthened digital skills learning in our existing graduate recruit training system, and for current employees, we provide training programs to acquire DX literacy and basic knowledge in the areas of DX, IT, and AI based on the METI Digital Skill Standards (DSS). This training is designed to give them the tools to propose solutions that address customer challenges and to develop proprietary services, ultimately helping to grow our business and improve competitiveness.



Initiatives to increase employee engagement

Since 2020, we have conducted an engagement survey (eNPS) of all full-time employees and officers. The 2022 survey revealed a number of areas where employee satisfaction is low and that need to be addressed as a matter of priority: "charting a career path," "enhancing skills and abilities," and "being engaged in business strategy." Based on these results, we will continue to promote effective communication with employees to share our corporate vision more widely and to set out clearer career paths for each employee. We will also work on overhauling personnel systems. We believe greater employee engagement will help increase client loyalty, ultimately translating into business growth.

Diversity, Equity & Inclusion (DE&I)

We have been promoting diversity & inclusion in the workplace as one of our top business strategies.

As rapid social change continues to gather pace, client needs are expected to diversify even further. To always exceed customer expectations, it is crucial for us to create a workplace and systems that enable every employee with a diverse background to be motivated and maximize their abilities regardless of gender, age, nationality, sexual orientation and identity, disability, and other factors.

This means, we must not only support all employees equally, but also recognize their individuality, and provide equal opportunity for success to all.

To achieve our goal of sustainable business growth and serve our clients and society, we will pursue equality by evolving our initiatives from D&I to DE&I.

► Embed diversity, equity & inclusion in our DNA to become an organization where all employees are motivated and can maximize their abilities.

transcosmos Diversity, Equity & Inclusion (DE&I) Definition	Promoting DE&I in five key initiative areas
<ul style="list-style-type: none"> ●Diversity To embrace, respect and find value in diverse individuality ●Equity To pursue equity in opportunity ●Inclusion To enable each and every employee to unleash their individual uniqueness and abilities, and achieve synergy as an organization 	<ol style="list-style-type: none"> 1. Gender equality 2. Disability inclusion 3. LGBTQ inclusion 4. Sustainable work culture & employee well-being 5. Cultural inclusion

1. Gender equality

We set up a dedicated organization in October 2007 to support female employees' career progression. In FY2016/3, we kicked off a new company-wide project, Promote Higher Female Participation & Renovate Workstyle, and made a concerted effort to enhance initiatives throughout transcosmos. Today, each department breaks down company-wide goals into specific action plans to achieve KPIs, and gives updates on their progress in an annual update meeting. By visualizing and sharing the status of the Company and each department, awareness has been spread and efforts have been accelerated.

KPIs for female empowerment (transcosmos inc. action plan)
 Period: 3 years from April 1, 2021 to March 31, 2024
 Targets: 1. Increase the female manager ratio to at least 25% (21.9% as of July, 2020)
 2. Increase the male employee combined take-up rate of childcare leave and shared parental leave to at least 40% (compared with a male employee take-up rate of 12.5% for childcare leave in FY2020/3)

Data on female representation (non-consolidated)

	2021	2022	2023
Number of female managers ^{as of July} (female representation)	215 (23.0%)	263 (25.5%)	288 (26.5%)
Section Manager	140	179	183
Department Manager	56	62	79
Division Manager or equivalent	19	22	26
Officer (General Manager and above) ¹	3	3	4
Number of female employees ^{as of April 1} (female representation)	5,963 (46.5%)	6,367 (47.4%)	6,642 (48.0%)
Number of new female graduates ^{as of April 1} (female representation)	245 (58.1%)	404 (63.3%)	346 (59.1%)

¹: Officers (General Manager and above) not included in number of managers

Eruboshi Certification (3-star)

transcosmos was recognized by the Minister of Health, Labour and Welfare for our superior contribution to the empowerment of female employees, and received 3-star Eruboshi (Labour Star) certification, the highest grade, under the Act on Promotion of Women's Participation and Advancement in the Workplace on August 30, 2016.



Selective training course

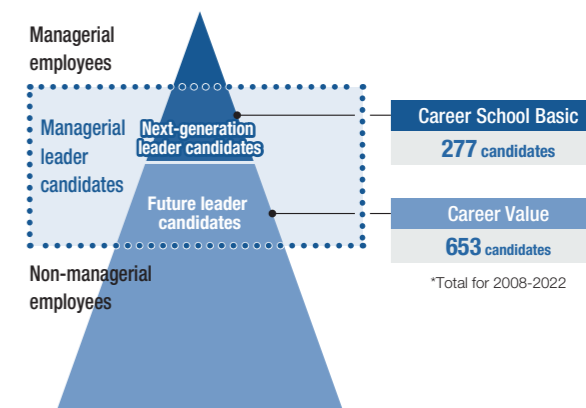
To build up a group of candidates for managerial roles, we started running a selective training course in 2008 for two cohorts - next-generation leaders and future leaders. Many graduates of this course have since been promoted to higher positions, creating a pipeline of managerial candidates. The course is run online, allowing female employees at overseas locations to take part.

Developing personnel in partnership with other companies

To broaden horizons, raise awareness and encourage networking, transcosmos runs training programs with companies from other industries to identify and develop female candidates for managerial roles.

Career development seminars

To raise self-awareness and motivation about career development, we hold seminars each year on various themes, featuring invited speakers.



Participation in J-Win

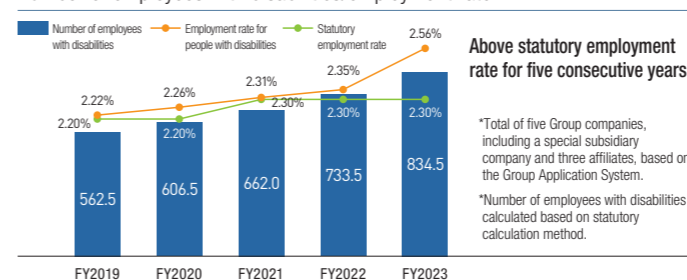
To further support the career advancement of women, we joined NPO J-Win* in 2008. Female employees participate in J-Win events and training.

*Corporate membership NPO established in April 2007 to help companies promote and embed diversity management within their organizations.

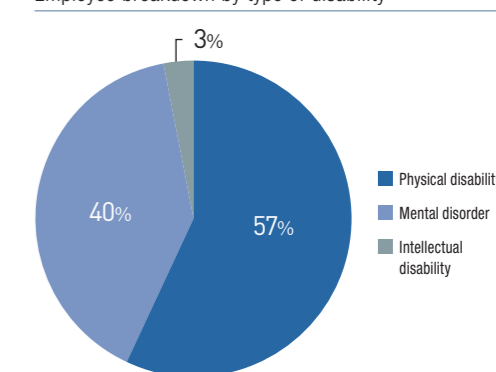
2. Disability inclusion

transcosmos believes companies should be places where "all employees, both with and without disabilities, work together and unleash their individual uniqueness and abilities." Based on this belief that bringing diverse, unique people with different personalities together fosters a superior corporate culture, transcosmos provides opportunities for people with disabilities such as hearing and visual impairments, upper and lower limb disorders, visceral disorders, psychological disorders and developmental problems to demonstrate their skills in various work settings.

Number of employees with disabilities/employment rate



Employee breakdown by type of disability



Empowering people with disabilities

In 2008, we established a dedicated department to support employment of people with disabilities (Normalization Promotion Department). The department is responsible for supporting people with disabilities in the Group's workplaces through recruitment, job assignments and workplace arrangements. Support is provided by our professional staff, including sign language interpreters, psychiatric social workers and certified social workers, and through the creation of inclusive working environments based on reasonable work arrangements for employees with disabilities.



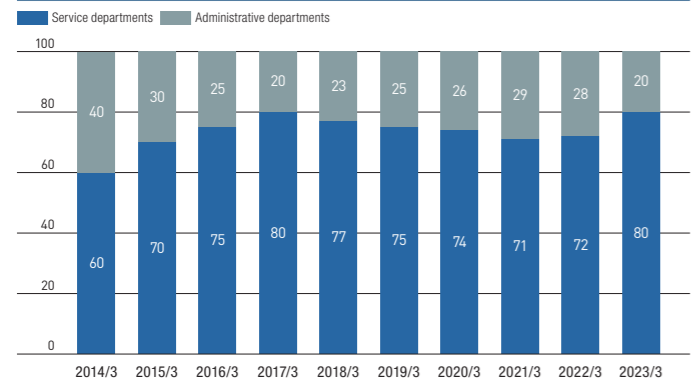
Support staff providing sign language interpretation (left) and advice

Assigning more employees with disabilities to profit areas

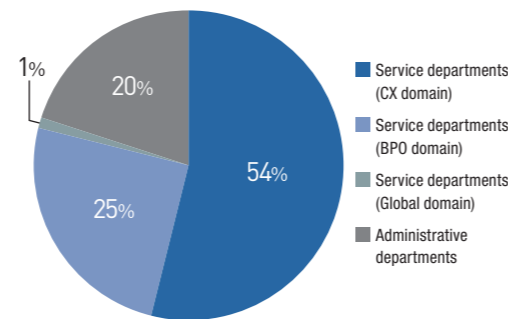
At transcosmos, employees with disabilities also contribute to the Company's sales. In the past, most of our employees with disabilities were assigned to administrative departments, but this has reversed in recent years, with more than 80% now working in service departments.

Employees with disabilities work in various business domains, including CX (web designers, coders, image creators), BPO (data entry, scanning, equipment setup) and global operations (translation).

Job role ratio (service departments: administrative departments) (Unit: %)



Main business domains



transcosmos receives Excellence in Disability Inclusion Company Award (Tokyo Metropolitan Governor's Award)

transcosmos has been presented with the Excellence in Disability Inclusion Company Award by the Tokyo Metropolitan Government, recognizing the Group's outstanding initiatives in proactively developing the skills of employees with disabilities and improving their working conditions. transcosmos is proud to receive the award. (Award ceremony was held on October 24, 2023)



transcosmos's key initiatives

- Two types of assignment models used in parallel: team-based model, with job orders received from both internal and external customers, and a distributed assignment model, with individuals assigned to work within a specific department.
- Roughly 80% of employees with disabilities play an active role in profit centers – service-related departments that directly generate sales – making a major contribution to the company.

Normalization Promotion Department Messages from our people

Creating a strong and disability-inclusive organization that delivers solid results

Since joining transcosmos, I have been involved in various projects as a Web Director. I was appointed Department Manager of Creative Services in 2019 and my management approach has been to ensure the right people are in the right role and to create a working environment where every employee can fulfill their potential.

A few years after joining transcosmos, I asked my line manager if I could take the lead on website production. He gladly accepted my request, giving me more opportunities to accompany him on visits to clients. Due to the nature of my disability (lower limb disorder), I am unable to walk a long distance. This must have been a burden on him. However, when we were travelling, he was mindful of my needs, allowing quick breaks and ensuring I got a seat on the train.

When I was promoted to my first managerial role, my line manager at the time said he wanted to work with me to build an organization that was second to none in the company, regardless of disability. These words still stick with me and I try to pass on the same message to my team. I believe we have created a strong department, where each employee can leverage their strengths to deliver solid results, while being considerate of people's disabilities.

transcosmos has a support system staffed by specialists who give assistance to employees with different needs. I would also like to see employees with disabilities actively play a role in providing support to their colleagues. Communication is vital for clarifying any challenges and creating a great working environment. I think it is significant that I, as somebody with a disability, lead these efforts.



Koji Yamashita

Department Manager, Creative Services, Normalization Promotion Department, Administration Division, Corporate Management Headquarters



Nanako Yamamoto

Web Designer, PP, PC Department, DA Business Division, CX Business Headquarters

I want to become a bridge between teams and raise the awareness of every employee

I officially belong to the Normalization Promotion Department, but I am currently working as a member of the Digital Agency (DA) Business Division in the CX Business Headquarters, where I direct and produce creative advertising content.

The work environment is truly inclusive of people with different types of disabilities. For example, when we hold production meetings or share opinions with hearing-impaired employees, we use various tools including sign language interpretation and speech recognition. In meetings with multiple participants, we prioritize speech recognition to put greater emphasis on speed, but each employee can select the method of communication that best suits, even with requirements for information accessibility*. This results in smoother communication.

If we can create more opportunities to understand the nature of each other's disability and our specific needs, we can build working environments where everyone supports each other. Deepening understanding between employees and teams, regardless of disabilities, will help create better workplaces for everyone. I think we need to raise the awareness of every employee about people with disabilities. As somebody who works with able-bodied employees, I am happy to act as the bridge for these efforts.

I recently received the Good Assist Award for my work in energizing communication within the department, as voted for by my colleagues. This recognition from people who work closely with me on creative projects was a big boost for my motivation. I believe things like saying hello, showing interest in what other people are saying, and engaging meaningfully in conversations are simple but important. I hope to continue working with my team on fun and stimulating creative projects in the future.

*Equal access to information for all participants refers to communication in sign language or in writing with a person who has a hearing impairment, or using text-to-speech tools to convey visual information for a person with a vision impairment.

3. LGBTQ inclusion

With the aim of offering a workplace where all people are treated fairly, actively engaged as themselves, and creating organizational synergy, transcosmos is driving efforts to increase LGBTQ allies and to create a pleasant workplace for all by fostering better understanding of LGBTQ (sexual minorities) and SOGIE (Sexual Orientation and Gender Identity) among all employees.



Internal training course to facilitate a better understanding of LGBTQ

We are offering an LGBTQ training course (e-learning) for all full-time employees to help them learn and comprehend the basic knowledge of, and the current social attitudes towards LGBTQ, and personally commit to creating a harassment-free workplace.

LGBTQ Forum for managers

During Pride Month 2023 (June), we held an LGBTQ Forum for officers and managers to help them understand LGBTQ people and realize the need for creating a pleasant workplace for all.

LGBTQ Hotline (transcosmos employees only)

We run an LGBTQ Hotline for our people facing problems and anxiety about their gender identity and sexual orientation. The hotline is available for all employees regardless of their contract type.

LGBTQ+ ALLY HANDBOOK

We are using LGBTQ+ ALLY HANDBOOK created by Coca-Cola(Japan) Company, Limited to promote understanding of LGBTQ communities. At transcosmos, every one of our people is working towards making their workplaces better.

4. Sustainable work culture & employee well-being

transcosmos is creating working environments and systems that allow employees to remain active in the workplace through DE&I well-being initiatives that help them balance work with childcare and healthcare commitments.

Supporting work-life balance

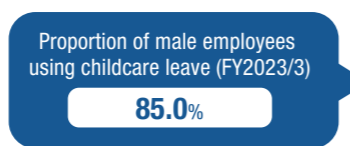
We provide support for work-life balance to encourage female employees to stay active and involved in the workplace, regardless of life events such as marriage and childbirth. Together with reforms to work practices, these initiatives are aimed at creating an environment where all employees, not just female employees, can maximize their abilities while balancing work and commitments in their private lives.

Encouraging male employees to take childcare leave

We are stepping up efforts to promote wider use of childcare leave to encourage male employees to play a greater role in parenting. For example, we publish the Support Handbook for Balancing Work and Parenting, introduce employees to parenting role models and conduct e-learning programs for managers.

Kurumin Certification

transcosmos has received the Kurumin mark, a certification logo granted to companies that support working families with children, in line with the Act on Advancement of Measures to Support Raising the Next Generation of Children.



5. Cultural inclusion

transcosmos provides services via 172 locations in 28 countries and regions with a focus on Asia (as of August, 2023). Our members with differing cultures and values interact and respect each other's differences, and turn diversity into the driving force of transformation, thereby maximizing the performance of our entire organization.

Contributing to local communities

Maximizing the abilities and potential of all individuals is vital for Japan's and the world's social and economic development. transcosmos helps to drive innovation through its technology and experience and by creating jobs in the community. Through the transcosmos foundation and other channels, we also provide ongoing support for the education of future generations, make donations and carry out welfare activities as part of our efforts to contribute to local communities in Japan and overseas.

transcosmos Korea teams up with Save the Children

transcosmos Korea signed a support agreement with Save the Children Korea in April 2023. Save the Children is an international relief and development NGO that works across racial, religious and political lines in around 120 countries worldwide to ensure children have the right to survival, protection, development and participation. Under the agreement, transcosmos Korea runs a program that matches any donations made by its employees to support children from low-income families and grandparent families.



Nagasaki and Sasebo BPO centers certified as pleasant working environments for women

transcosmos BPO Center Nagasaki has been recognized for its efforts to "balance work with childcare and family life," "reform work styles" and "promote women's careers and gender equality," receiving N-Pika certification on February 28, 2023 under Nagasaki Prefecture's certification system for companies that create pleasant working environments for all. Also, BPO Center Sasebo was registered as a Business Office with a Declaration on Supporting Women's Active Participation and Advancement in the Workplace by Sasebo City in March 2020, and BPO Center Nagasaki and BPO Center Nagasaki Chuo were both certified as Nagasaki City Danjyo Ikiki Kigyo - Gender-Inclusive, Fulfilling Workplaces - by Nagasaki City in November 2021.



transcosmos becomes registered Kanagawa SDGs Partner and Kawasaki SDGs Partner

transcosmos operates various businesses from its locations in Yokohama City, Kanagawa Prefecture. In addition, transcosmos assist inc., the Group's special-purpose company that promotes the employment of people with disabilities, is headquartered in Kawasaki City. As a company with these business links to Kanagawa Prefecture, we have endorsed and signed up to the Kanagawa SDGs Partner and Kawasaki SDGs Partner initiatives. transcosmos will continue to work together with local communities to achieve the SDGs.



transcosmos foundation

The transcosmos foundation was established by a private donation from the Company's late-founder Koki Okuda with the aim of contributing to society. The foundation supports the education of people who show potential to give back to society in the future, and also provides subsidies and support in the fields of academic and scientific technology, the humanities and sports to drive the further development of society.



Corporate governance

For the latest updates on corporate governance, please visit our website.

▶ <https://www.trans-cosmos.co.jp/english/ir/management/governance.html>

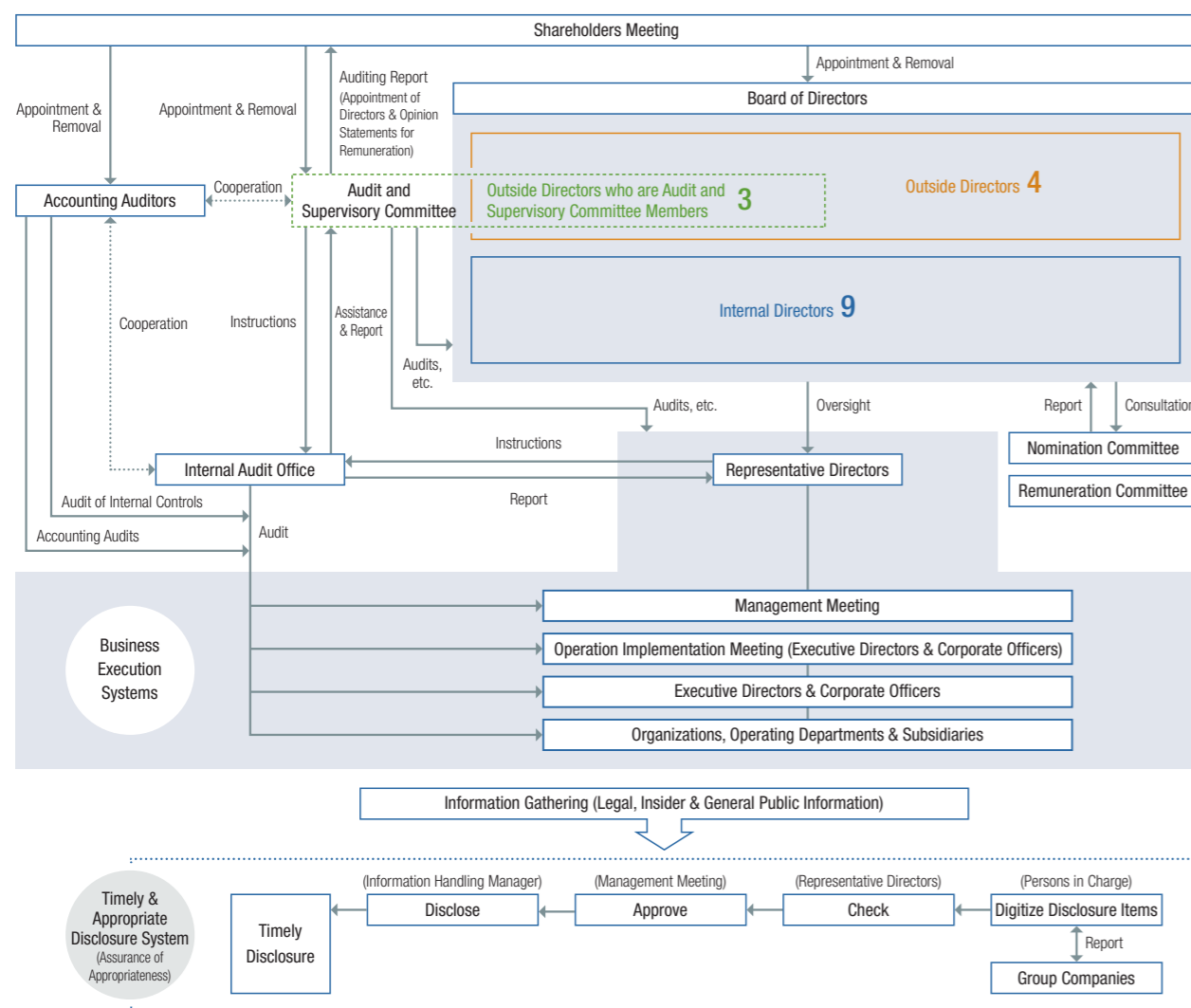


1 Corporate governance as the foundation of sustainable growth

► Fundamental approach to corporate governance

In order to realize our Fundamental Management Philosophy – Client satisfaction is the true value of our company, and the growth of each of our employees creates the value that shapes our future – we view continuous enhancement of our corporate governance as one of our most important managerial priorities. With that in mind, we constantly aim to maximize our corporate value by building positive relationships with all our stakeholders, including shareholders, clients, business partners, local communities and our employees, providing our clients with services that meet and exceed their expectations, clarifying managerial responsibilities and accountabilities, creating a highly transparent management framework, and enhancing our oversight and supervision functions.

► Corporate governance framework



(As of 21 June, 2023)

► Overview of corporate governance system and rationales for adopting the system

transcosmos has adopted a corporate governance system with an audit and supervisory committee in order to create a management structure that enables appropriate audit and oversight while ensuring accurate decision-making and rapid business execution.

In addition, in order to ensure both speedy and rational decision-making and mutual checks and balances, the Company has introduced a co-president system and established a Management Meeting comprising the Representative Director & Chairman and the two Representative Directors & Co-presidents as a body to discuss important matters related to management, operational management and business execution policies, in line with the fundamental management policy determined by the Board of Directors.

In addition, through the establishment of an Audit and Supervisory Committee, which is comprised of outside directors, the Company has separated supervisory and business execution functions by transferring authority for business execution from the Board of Directors to individual directors, thereby strengthening the supervisory functions of the Board of Directors and accelerating decision-making.

Directors and the Board of Directors

The Board of Directors, which consists of 16 members including seven outside directors, meets once a month in principle to make decisions on important management matters and to supervise the execution of duties by the executive directors. To reinforce checks and balances on the management functions of the Board of Directors and to ensure transparency in the decision-making process, six of the outside directors with extensive knowledge and experience have been appointed as independent directors.

Audit and Supervisory Committee

The Audit and Supervisory Committee consists of three outside directors to ensure objectivity and neutrality in management oversight. All three outside directors have no particular personal or economic relationship with the Company, have considerable finance and accounting expertise, and two of them are nominated as independent directors.

Under the audit policy and audit plan determined by the Audit and Supervisory Committee, members of the committee exercise their legal authority, including attendance at important management meetings, and supervise business execution by directors. The Company held 14 meetings of the Audit and Supervisory Committee in FY2023/3.

Nomination Committee and Remuneration Committee

The Nomination Committee and the Remuneration Committee each consist of at least five members who are directors, the majority of whom are independent outside directors. The chairperson of each committee is also selected from among the committee members who are independent outside directors. The Nomination Committee deliberates and reports to the Board of Directors on advisory matters concerning the appointment and dismissal of directors, and the Remuneration Committee deliberates and reports to the Board of Directors on advisory matters concerning compensation for directors (excluding directors who are members of the Audit

and Supervisory Committee), ensuring transparency and objectivity in the board's decision-making process regarding appointment and removal of directors and director remuneration.

Management Meeting

The Management Meeting, comprising Representative Director & Chairman Masataka Okuda, Representative Director & Co-president Masaaki Muta, and Representative Director & Co-president Takeshi Kamiya, discusses important matters related to management, operational management and business execution policies, in line with the fundamental management policy determined by the Board of Directors.

Corporate Officer

Corporate officers of the Company are appointed by resolution of the Board of Directors and carry out business execution functions within the scope authorized by the Board of Directors and the executive directors, under the direction of the representative directors and in accordance with laws and regulations, the Articles of Incorporation, internal regulations, and resolutions of the Board of Directors.

Operation Implementation Meeting

The Operation Implementation Meeting consists of representative directors, executive directors, and corporate officers. The purpose of the meeting is to promote, manage, control and share information on the business activities of the transcosmos Group, and to make comprehensive adjustments across all business divisions to ensure the Group operates appropriately.

2 Board diversity

To ensure the board performs its duties and fulfills its responsibilities effectively, the Company's board composition represents a good balance in terms of knowledge, experience, and skills of board members, as well as being an appropriate size, with a good level of diversity. The number of board members is set at no more than 20, taking into account the need for diverse views and efficient operation. In selecting suitable outsider directors, candidates must meet the Company's criteria for independent directors, as well as demonstrate a high standard of personality traits and knowledge, have experience in areas such as corporate management, financial accounting and policy planning, and understand the Company's business areas.

► Board composition and board meeting attendance record

Position	Name	Corporate management	Business strategy	Sales/marketing	Finance/accounting/M&A	Legal affairs/compliance/risk management	IT/digital	Global business	Service quality management	Board meeting attendance record (FY2023/3)
Inside director	Masataka Okuda	●		●	●		●	●		Board of Directors: Attended 13 of 13 meetings Nomination Committee: Attended 2 of 2 meetings Remuneration Committee: Attended 1 of 1 meeting
	Masaaki Muta	●		●			●	●		Board of Directors: Attended 13 of 13 meetings
	Takeshi Kamiya	●			●	●		●		Board of Directors: Attended 13 of 13 meetings Nomination Committee: Attended 2 of 2 meetings Remuneration Committee: Attended 1 of 1 meeting
	Masatoshi Kouno		●		●		●		●	Board of Directors: Attended 13 of 13 meetings
	Kenshi Matsubara		●	●			●		●	Board of Directors: Attended 13 of 13 meetings
	Hiroshi Kaizuka		●	●			●	●		Board of Directors: Attended 13 of 13 meetings
	Kiyoshi Shiraishi	●				●	●		●	Board of Directors: Attended 13 of 13 meetings
	Eijiro Yamashita		●	●				●	●	—
Koji Funatsu	●				●	●		●	Board of Directors: Attended 13 of 13 meetings	
Outside director (Audit and Supervisory Committee member)	Takeshi Natsuno <small>Independent director</small>	●		●		●	●			Board of Directors: Attended 13 of 13 meetings Audit and Supervisory Committee: Attended 14 of 14 meetings Remuneration Committee: Attended 1 of 1 meeting
	Nozomu Yoshida <small>Independent director</small>		●	●		●	●			Board of Directors: Attended 13 of 13 meetings Audit and Supervisory Committee: Attended 14 of 14 meetings Remuneration Committee: Attended 1 of 1 meeting
	Eiji Uda	●		●		●	●	●		Board of Directors: Attended 12 of 13 meetings Audit and Supervisory Committee: Attended 13 of 14 meetings
Outside director	Rehito Hatoyama <small>Independent director</small>		●		●		●	●		Board of Directors: Attended 13 of 13 meetings Nomination Committee: Attended 2 of 2 meetings
	Genichi Tamatsuka <small>Independent director</small>	●		●			●	●		Board of Directors: Attended 11 of 13 meetings
	Noriyoshi Suzuki <small>Independent director</small>	●		●	●			●		Board of Directors: Attended 12 of 13 meetings Nomination Committee: Attended 2 of 2 meetings Remuneration Committee: Attended 1 of 1 meeting
	Miwa Tsurumori <small>Independent director</small>					●				—

The above list does not show all the specialist skills or experience of each director.

(As of 21 June, 2023)

► Effectiveness of the board

As detailed below, the Company conducted a self-evaluation survey regarding the effectiveness of the Board of Directors in FY2023/3. The survey, which is provided to all directors annually, asked each director to analyze and evaluate the board's performance. The results were reported to and discussed by the board.

Survey results

- The board continues to operate effectively, with high marks given for each category, as in FY2022/3.

Specific feedback

- Outside directors can candidly provide their opinions and ask questions, facilitating open discussions.
- Measures taken in response to opinions and views expressed in the FY2022/3 survey have contributed to steady improvement in the board's effectiveness.

► Training for directors

The Company runs induction training for outside directors to enhance their understanding about the Company's Management Philosophy, business strategy, financial position, organization structure and other topics. The Company also holds compliance and legal training, and when needed, holds Board of Directors study groups with invited external experts.

► Director remuneration

The Board of Directors delegates decisions on remuneration for individual directors (excluding directors who are Audit and Supervisory Committee members) for each fiscal year to the Management Meeting, which bases its decisions on reports from the Remuneration Committee, the majority of which is composed of independent outside directors. In addition, the Audit and Supervisory Committee, which is composed of outside directors, supervises the Management Meeting to ensure that it appropriately exercises its decision-making authority. As individual director remuneration is determined by this process, the board has determined that the details of remuneration comply with its policy.

Policy for determining remuneration, etc., for individual directors

In principle, remuneration for inside directors (excluding directors who are Audit and Supervisory Committee members) is comprised of regular monthly cash remuneration during their term of office.

Total remuneration for inside directors consists of a component based on evaluation of individual performance for each fiscal year and a component based on quantitative evaluation of progress with the medium-term business plan, taking into account performance against sales and profit targets. The second component, which is aimed at achieving the goals of the medium-term business plan and is linked to medium- to long-term performance, is set at 20% of the total amount of monthly remuneration. In addition to amounts for monthly remuneration, directors may in some cases receive director bonuses during their term of office when payments are deemed appropriate, based on the Company's short-term earnings performance, operating environment and other factors.

Remuneration for outside directors is a fixed monthly amount, in light of their responsibilities for providing the board with guidance and supervision from an independent perspective. Regarding remuneration for directors (excluding directors who are Audit and Supervisory Committee members), the Management Meeting calculates remuneration for inside directors based on fair evaluation of their performance and other factors, and for outside directors in line with their responsibilities. A draft proposal is then submitted to the Remuneration Committee, the majority of which consists of independent outside directors, which deliberates on the proposal and submits its opinion to the Board of Directors. Based on the response of the board, the Management Meeting makes the final decisions on remuneration, as delegated. The decision-making process is overseen appropriately by the Audit and Supervisory Committee.

Position	Recipients	Total remuneration (¥ million)
Directors (excluding directors who are Audit and Supervisory Committee members) (Of which, outside directors)	13 (4)	443 (72)
Directors (directors who are Audit and Supervisory Committee members) (Of which, outside directors)	3 (3)	54 (54)
Total (Of which, outside directors)	16 (7)	497 (126)

(FY2023/3 data)

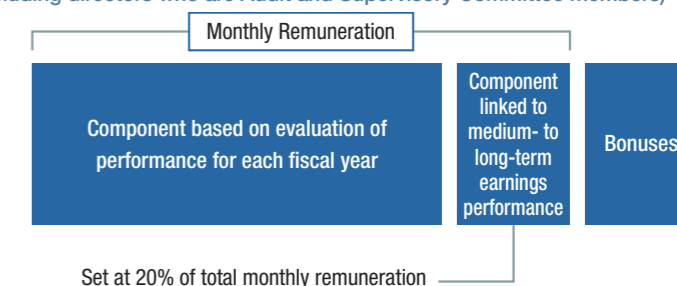
(Note 1) A resolution approved at the 31st General Meeting of Shareholders on June 22, 2016 limits cash remuneration for directors (excluding directors who are Audit and Supervisory Committee members) to no more than ¥800 million per year (of which, the amount for outside directors is limited to no more than ¥100 million) (any salaries to be paid to directors who are also employees are not included in the amounts). At the conclusion of the 31st General Meeting of Shareholders, the Company had 16 directors (excluding directors who are Audit and Supervisory Committee members), of which three were outside directors.

(Note 2) A resolution approved at the 31st General Meeting of Shareholders on June 22, 2016 limits cash remuneration for Audit and Supervisory Committee members to no more than ¥60 million per year. At the conclusion of the 31st General Meeting of Shareholders, the Company had three directors who were Audit and Supervisory Committee members.

Overview of remuneration system for inside directors (excluding directors who are Audit and Supervisory Committee members)

Total remuneration for inside directors consists of a component based on evaluation of individual performance for each fiscal year and a component based on quantitative evaluation of progress with the medium-term business plan, taking into account performance against sales and profit targets. The second component, which is aimed at achieving the goals of the medium-term business plan and is linked to medium- to long-term performance, is set at 20% of the total amount of monthly remuneration.

In addition to amounts for monthly remuneration, directors may in some cases receive director bonuses during their term of office when payments are deemed appropriate, based on the Company's short-term earnings performance, operating environment and other factors.



► Selection and dismissal of senior managers, nomination of director and Audit and Supervisory Committee member candidates

The Board of Directors selects and nominates candidates for inside director, outside director and Audit and Supervisory Committee member roles, based on a comprehensive evaluation of individual performance and suitability and without exclusion based on gender, nationality, race, or cultural background, including depth of understanding and knowledge about the Company's business domains, leadership qualities, management expertise and moral standards.

Decisions on the selection and nomination of candidates for inside director, outside director and Audit and Supervisory Committee member roles are made by the board, based on the findings of the Nomination Committee (candidates for the Audit and Supervisory Committee are approved by existing members of the committee). The Audit and Supervisory Committee, which is comprised entirely of outside directors, appropriately oversees the candidate selection process. In the event of misconduct or illegal behavior by inside directors, outside directors or members of the Audit and Supervisory Committee, or issues arising in the course of discharging their duties deemed to be material, the individual will be dismissed by a resolution of the board, or by a resolution approved by shareholders at the General Meeting of Shareholders.

3 Policy on cross-shareholdings

transcosmos holds shares for strategic purposes (cross-shareholdings) from a business perspective, such as to reinforce relationships with suppliers or to maintain or expand business relationships, and if holding shares is judged to be expedient for increasing corporate value over the medium- to long-term.

transcosmos monitors cross-shareholdings on a monthly basis to check trading conditions and to determine whether holdings in the portfolio should be reduced, and reports the results of the analysis to the Management Meeting. In addition, the board conducts annual reviews to assess whether holding the shares is appropriate from the perspective of increasing corporate value over the medium- to long-term and if risk-reward is proportionate to the cost of capital, among other criteria. With this review process, the Company confirms that objectives for holding the shares in its portfolio align with its policy on cross-shareholdings.

The Company carefully examines the possibility of disposing its holdings when it judges that there is no rationale for holding the shares.

4 Revision of countermeasures for large-scale acquisitions of the Company's shares

The Company believes that individuals with the authority to make decisions on the Group's finances and business strategy should understand the sources of the Group's corporate value, as well as be able to increase and ensure the continuity and sustainability of our corporate value and therefore the common interests of the Group's shareholders (the common interests of shareholders).

Fundamental policy

The Company believes that any decision on a takeover proposal that would result in a change of control over the Group should ultimately be made by all shareholders. In addition, the Company has no intentions to decline an offer for the large-scale acquisition of the Company's shares if the acquisition is deemed beneficial for the Group's corporate value and therefore the common interests of shareholders. However, in many cases, the objectives of large-scale acquisitions of shares are not beneficial for corporate value or the common interests of shareholders, such as proposals that are clearly negative for corporate value and the common interests of shareholders; that could in effect put shareholders under pressure to sell their shares; that do not give the board or shareholders of the target company sufficient time or information to examine the proposal or to make alternative proposals; and that require further negotiation by the target company to improve the terms of the acquisition initially presented by the prospective buyer.

The Group's corporate value and therefore the common interests of shareholders are likely to be damaged if the prospective buyer does not understand the sources of the Group's corporate value and does not protect or enhance corporate value over the medium- to long-term. In the event of this type of misaligned proposal, the Company will take all necessary and appropriate measures to protect the Group's corporate value and the common interests of shareholders.

Criteria and reasons for concrete measures by the Board of Directors

The Company's medium-term business plan and other measures, notably steps to reinforce corporate governance, are consistent with this fundamental policy, as they have been designed as concrete measures to continuously and sustainably increase the Group's corporate value and the common interests of shareholders.

In addition, countermeasures for large-scale acquisitions of the Company's shares (takeover defense measures; "the plan") are also in line with the fundamental policy, as they are aimed at securing the Group's corporate value and the common interests of shareholders in the event of a large-scale acquisition of our shares.

The plan also emphasizes the interests of shareholders in a number of ways: it satisfies the three principles stipulated in Guidelines Regarding Takeover Defense for the Purposes of Protection and Enhancement of Corporate Value and Shareholders' Common Interests; takes into consideration practices and points raised in Takeover Defense Measures in Light of Recent Environmental Changes and other papers regarding takeover defense measures; complies with the provisions of Principle 1.5 Anti-Takeover Measures in the Corporate Governance Code; requires the approval of shareholders for renewal; requires the approval of shareholders at a Shareholder Intention Confirmation Meeting before being activated in certain cases; includes a so-called "sunset clause" effective for three years; and allows shareholders to terminate the plan even before the end of the effective period, with approval of the General Meeting of Shareholders. The fairness and objectivity of the plan is also ensured in the following ways: reasonable objective requirements for triggering the plan have been established; substantive decisions on triggering the plan are made by the Independent Committee, which is composed of outside directors and others who are independent from the management team; the Independent Committee may receive advice from independent third-party experts, with costs borne by the Company; and the term of office of the Company's directors is one year.

As such, the plan is designed to be beneficial for the corporate value of the Company and the common interests of shareholders, and is not intended to protect the positions of the Company's corporate officers.

For more information on the plan, please refer to the link below.
https://www.trans-cosmos.co.jp/english/ir/news/pdf/ir210514_1e.pdf

5 Exclusion of antisocial forces

The fundamental policy of the Company and its Group companies is to take a firm stance against antisocial forces that threaten the order and safety of civil society as a whole and to ensure that there are no business or other relationships with such groups.

Specific measures

The Company's Compliance Code of Conduct stipulates a firm stance against antisocial forces, based on the view that it is extremely important to take action in accordance with laws and regulations and corporate ethics with respect to eliminating all contact with antisocial forces. The Company has posted the code on its intranet and requires all officers and employees to study it each year. If any approach is made by antisocial forces, officers and employees are required to promptly report the matter to the department in charge and follow the instructions of that department. In addition, the Company's business contracts contain clauses that exclude antisocial forces. In the event that a business partner is found to be affiliated with such groups, the contract will be terminated immediately.

6 Compliance

transcosmos will contribute to society as a respectable corporate citizen by providing information and communication technologies specific to the IT sector and by proactively and fairly disclosing corporate information to the wider public, in compliance with relevant domestic and international rules and based on its Charter of Corporate Behavior, which is underpinned by ethical business practices.

Compliance Code of Conduct

- As a respectable corporate citizen, we are committed to contribute to the development of our society. To that end, we will continue to carry out a variety of activities that include the promotion of culture and arts, cooperation with local communities, participation in volunteering, and making a contribution to the international society.
- In compliance with the relevant laws and regulations, we will disclose to our shareholders, investors and all other stakeholders our management information, including financial standings and the status of our business activities in an appropriate and timely manner.
- We will endeavor to maintain a safe and healthy workplace, respect everyone's human rights, and never engage in discriminatory conduct of any kind.

Compliance point of contact for reporting and consultation
 transcosmos has established a whistleblowing helpline, a workplace harassment hotline and a general compliance hotline for our employees to report and consult on their compliance-related concerns.

► Fair business conduct

transcosmos business ethics

Not only do we make sure that our business conduct is compliant with the laws and regulations of Japan and foreign countries, but we also remind ourselves that we must conduct ourselves with respect for the social code of ethics. For example, as a respectable corporate citizen, we participate in CSR activities to support the development of society and proactively engage in various environmental conservation initiatives; we carefully consider the necessity and relevance of providing political funding and donations or participating in election campaigns or political activities before taking part in an official capacity in compliance with all related laws and regulations; we strive to ensure sensible conduct at all times, based on accepted social norms and a sense of justice, backed by a fundamental understanding of laws and regulations to prevent misconduct and antisocial behavior; and we robustly oppose antisocial forces and groups and prohibit connections with them in any form.

To put these policies into practice and ensure compliance, we use training programs for all of our employees and periodically publish materials to raise awareness in order to foster high moral standards and uphold business ethics. Our top management constantly reviews and ensures that effective systems are in place to permeate our business ethics across the organization.

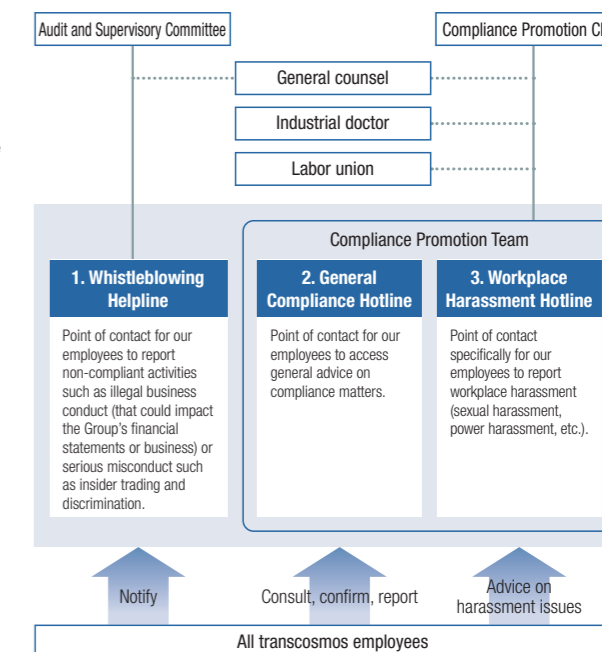
► Anti-bribery & corruption

The Company strictly prohibits the offer, proposal or promise of benefits such as improper entertainment, gifts or any other benefits to public officials or persons with similar status. In addition, the Company ensures that the amount, frequency and extent of benefits such as entertainment, gifts, donations or other benefits accepted by the Company or provided to business partners and other parties are limited to levels deemed reasonable under socially accepted conventions. Furthermore, the Company strictly prohibits employees from engaging in corrupt practices such as obstruction of justice and money laundering through Company or third-party channels. These rules are thoroughly communicated to employees through annual training sessions.

transcosmos Group Fundamental Anti-bribery & Corruption Policy

1. transcosmos Group officers and employees shall fully understand and comply with anti-bribery and corruption laws and regulations in countries and regions where the Group operates.
2. transcosmos Group officers and employees shall not provide or receive, directly or indirectly, any improper benefits between any party, including public officials, that exceed the scope deemed appropriate by the laws, guidelines and social customs of the countries and regions where the Group operates.
3. transcosmos Group officers and employees shall accurately and appropriately record in accounting books or other documents all income and expenditures related to the prevention of bribery and corruption.
4. If any transcosmos Group officer or employee is confronted with or discovers an act that violates or is suspected of violating the anti-bribery and corruption laws and regulations of the countries and regions where it operates or the rules of this fundamental policy, they shall report or notify the relevant point of contact at the company to which they are assigned.
5. If any transcosmos Group officer or employee violates this fundamental policy, the Company shall take strict disciplinary action in accordance with internal regulations.

System overview



Fair competition & trading

● **Compliance with the Anti-monopoly Act and the Subcontract Act**
 We compete in a fair and open manner, avoiding any conduct that might suggest violation of the Anti-monopoly Act, such as bid-rigging, cartel activities and abuse of superior bargaining power. In addition, we always deal with our suppliers with a degree of decency and integrity and treat all of our suppliers and business partners equally and fairly. When selecting potential suppliers and business partners, we take an unbiased stance and deal with them fairly in accordance with relevant laws and regulations and contracts.

● **Protection against unfair competition**

We strictly prohibit misappropriation or use of trade secrets of other companies obtained through theft or other unlawful means, for whatever reason, or use of such information knowing that it has been, or has likely to have been, obtained by unlawful means.

7 Risk management

To ensure business continuity and stable growth through the implementation of risk management procedures, we properly manage and address various risks in our operations based on the Risk Management Basic Rules, which lay out our fundamental principles of risk management.

▶ Responding to cybersecurity risks

Fundamental policy

transcosmos handles sensitive information for many of our clients through our business activities, as well as the personal information of a large number of our employees. Therefore, cybersecurity is a top priority for our business.

To take strategic security measures, we have established proprietary cybersecurity standards (security standards), referencing the cybersecurity framework (CSF) developed by the US National Institute of Standards and Technology (NIST). These security standards are set at a level required for each customer-facing system. We verify security compliance status by testing and evaluating each system, and add or update measures as required.

We regularly revise the security standards to address increasingly sophisticated cyber-attacks.

Education and training

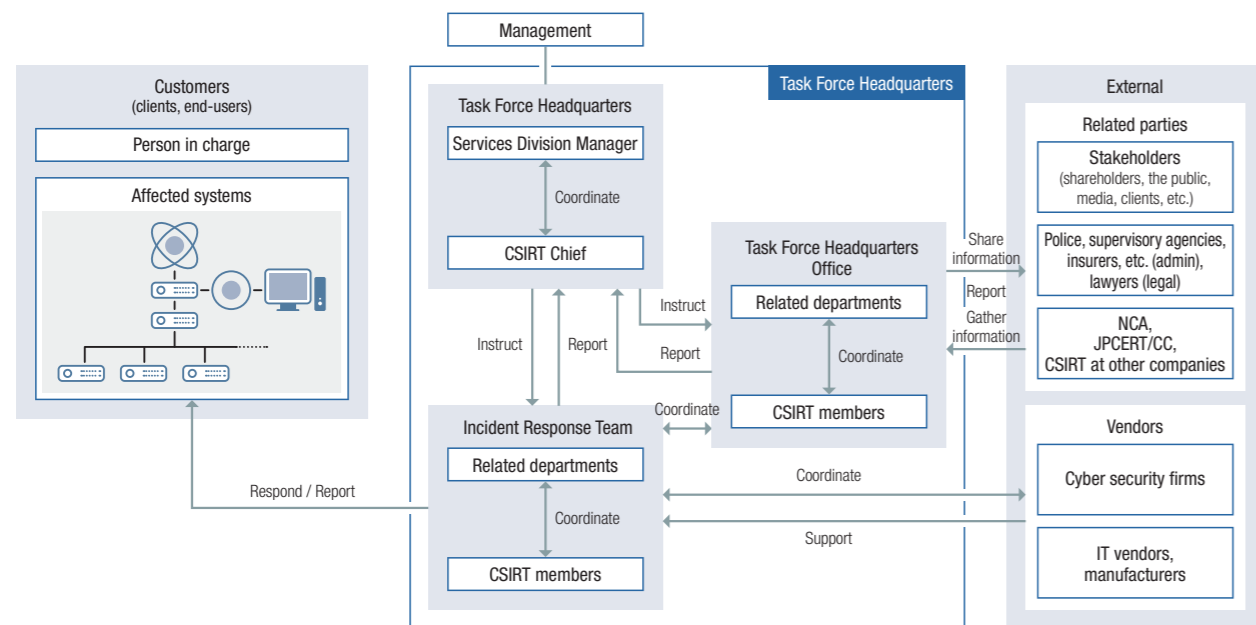
Raising security awareness among our employees is important to prevent damage from cybersecurity incidents. We therefore regularly run education and training programs and carry out awareness-raising initiatives. In terms of education, our employees

are given cybersecurity e-learning courses, and training includes targeted email attack simulation. To raise awareness, we provide our employees with information about the latest vulnerabilities and security incidents.

Preparing for emergencies

To prepare for potential incidents, we have set up an emergency contact center, implemented procedures to follow in the event of a cyber incident, and set up a Computer Security Incident Response Team (CSIRT). When an incident occurs, CSIRT cooperates with related departments across the Company as well as with external security experts such as the Nippon CSIRT Association (NCA) and the Japan Computer Emergency Response Team Coordination Center (JPCERT/CC) to rapidly respond and resolve the incident and minimize damage.

transcosmos incident response framework



▶ Business continuity initiatives

As a company that supports our clients' business processes focusing on both cost optimization and sales expansion, we put the highest priority on preparing for unpredictable events such as natural disasters and accidents in order to maintain business operations during any emergency. To prepare for large-scale disasters, accidents and other events, each transcosmos center has developed its own business continuity plan (BCP) as part of our efforts to enhance BCP initiatives.

▶ Response measures against disasters, pandemics and other events

As a company with a global business footprint, we are strengthening response measures to prepare for unpredictable events such as earthquakes, typhoons, pandemics, regional conflicts and terrorist incidents based on the fundamental policies.

● For more information on our Risk Management Policy, please visit our website.
<https://www.trans-cosmos.co.jp/english/company/sustainability/management/riskmanagement.html>

I want to facilitate appropriate risk-taking and more effective governance towards business model transformation



Miwa Tsurumori
Outside Director

Born in 1977, Ms. Tsurumori qualified as a lawyer in 2006, initially joining Fairness Law Office. She moved to Tokyo Uchisaiwaicho Law Firm in 2013 before becoming a partner at Toranomon 1-chome Law Office in 2017 (current position). She was appointed outside director of Twenty-four Seven Inc. in 2021 (current position).

*Ms. Tsurumori practices law under her maiden name (Matsutani).

My role as an outside director

I believe my role as an outside director is to provide objective opinions from an independent standpoint, drawing on my experience as a lawyer to anticipate legal risks and assess compliance measures and the effectiveness of corporate governance. Lawyers need to look at all angles of an argument using a flexible and balanced approach, backed by firm moral principles. As an outside director, I want to provide my legal knowledge and experience to help transcosmos make well-balanced decisions that take into account the risks and rewards, ensuring it meets the expectations of clients, employees, shareholders and all other stakeholders.

transcosmos's Board of Directors

The Company's board meetings are characterized by free and open discussion, not only on proposals but also report items. Board members recognize good results and performances appropriately and ask questions, raise issues and offer advice on points that are deemed insufficient. Everyone is free to state their opinions, leading to constructive discussions. My impression is that the board is functioning well, including oversight by the outside directors. There is a good level of trust between inside and outside directors, but they also maintain a professional distance.

Realizing the Company's vision

Under its new medium-term business plan, transcosmos is aiming to evolve into a Technology Solutions Company. To achieve this vision, it will need to transform its existing business model. I will do my best to support this transformation process by anticipating risks inherent in new projects and initiatives and by facilitating appropriate risk-taking. One of the Company's key objectives in the business plan is to become a top-five global CX/BPO services player. transcosmos will therefore need to reinforce governance, including at overseas subsidiaries, as it continues to expand globally. This will require an understanding of various legal fields, but I will focus on gathering all the necessary information to improve the effectiveness of governance.

To realize its vision, transcosmos will also need to create working conditions and structures that allow diverse people to fulfill their potential. For example, while the percentage of women in managerial positions has risen steadily thanks to past efforts, transcosmos still only has a few women in executive roles and other senior positions. As the only female member of the Board of Directors, I intend to firmly voice my opinions to ensure people from all backgrounds can play an active role in the Group.

One of transcosmos's strengths is its proven track record in projects for a wide range of clients in various business categories and industries, including government agencies. This has allowed it to accumulate a wealth of DX knowledge. If transcosmos can utilize the latest digital technology with even greater speed, I believe it can provide more value to clients and make a broader contribution to society.

1 FY2023/3 earnings summary

Operating results

- Net sales rose to ¥373.8 billion, the 13th consecutive period of growth and a record high.
- Operating income totaled ¥23.3 billion, the second-highest level on record, despite a decline in gross profit.
- Parent company existing businesses, excluding COVID-19 projects, continued to grow, despite the uncertain economic environment.
- Overseas, sales continued to expand, led by Asia.

Financial position

Total assets as of March 31, 2023 were ¥193,842 million, down ¥24,613 million from the end of the previous fiscal year. Of this amount, current assets decreased ¥15,566 million to ¥135,423 million, mainly due to declines in cash and deposits, notes and accounts receivable – trade, and contract assets. Non-current assets decreased ¥9,046 million to ¥58,419 million. This mainly reflected a decline in investment securities due to the mark-to-market valuation of shareholdings. Liabilities decreased ¥16,114 million from the end of the previous fiscal year to ¥81,461 million, mainly reflecting the repayment of the current portion of long-term debt. Net assets decreased ¥8,498 million to ¥112,381 million, largely due to the acquisition of treasury stock. The equity ratio was 53.4%.

Performance indicators

transcosmos works to ensure earnings exceed previous-year levels by continuing to address client needs for sales growth and cost optimization. Specifically, transcosmos actively develops CX services and BPO services that support clients' management and business transformation as their DX partner, and seeks to accelerate business development globally, particularly in Asian markets.

Dividend policy

Returning profits to shareholders is one of the Company's top management priorities. We have therefore adopted a dividend policy that focuses on the dividend payout ratio, which is closely related to the Company's business performance. Our fundamental policy is to increase the market value of shares by returning profits to shareholders.

In addition, the Company uses retained earnings to reinforce its financial position, while also investing in new contact centers, information systems and other equipment and facilities to support service expansion and enhance service quality. Our goal is to satisfy shareholder expectations through the pursuit of profits by expanding our business and adding more value to services.

In line with this policy, the Company will pay a year-end dividend of ¥117 per share for FY2023/3.

2 Earnings summary by segment

The Company's reportable segments are constituent units of the transcosmos Group for which separate financial information is available. The Board of Directors periodically examines these segments for the purpose of deciding the allocation of management resources and evaluating operating performance. The Company organizes its operations into three reportable segments – parent company, which includes outsourcing businesses operated by the Company, domestic affiliates, which includes outsourcing businesses operated by domestic Group companies, and overseas affiliates, which includes outsourcing businesses operated by overseas Group companies.

Parent company

Outsourcing businesses operated by the Company
Net sales increased 2.4% year on year to ¥244,513 million, mainly reflecting order growth in existing businesses, excluding COVID-19 projects. Despite the uncertain economic environment, net sales rose steadily. However, segment income declined 10.7% year on year to ¥15,929 million, reflecting a drop in profit margins.

Domestic affiliates

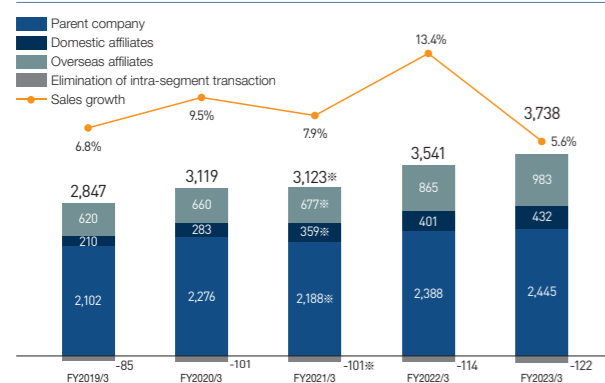
Outsourcing businesses operated by domestic Group companies
Net sales totaled ¥43,208 million, up 7.7% year on year, mainly due to higher orders at some listed subsidiaries and BPO service business subsidiaries. Segment income totaled ¥3,741 million, up 1.5% year on year.

Overseas affiliates

Outsourcing businesses operated by overseas Group companies
Net sales totaled ¥98,309 million, up 13.7% year on year, largely reflecting higher orders at subsidiaries in South Korea, Southeast Asia and China. However, segment income declined 16.4% year on year to ¥3,629 million, mainly due to a temporary deterioration in profitability at Chinese subsidiaries due to foreign exchange rate factors.

Sales by segment (consolidated)

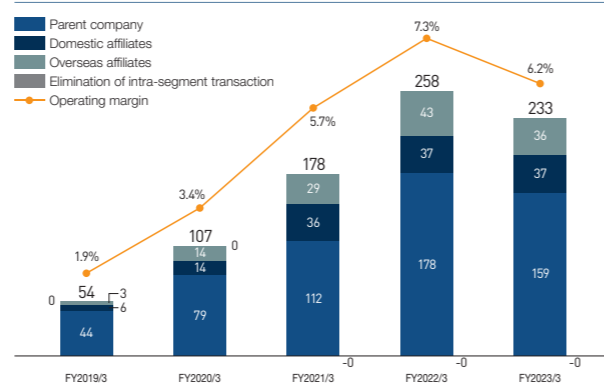
Unit: ¥100 million (rounded to nearest ¥100 million)



*In FY2021/3 net sales, revenue from agent transactions has been restated using the net amount recognition method.

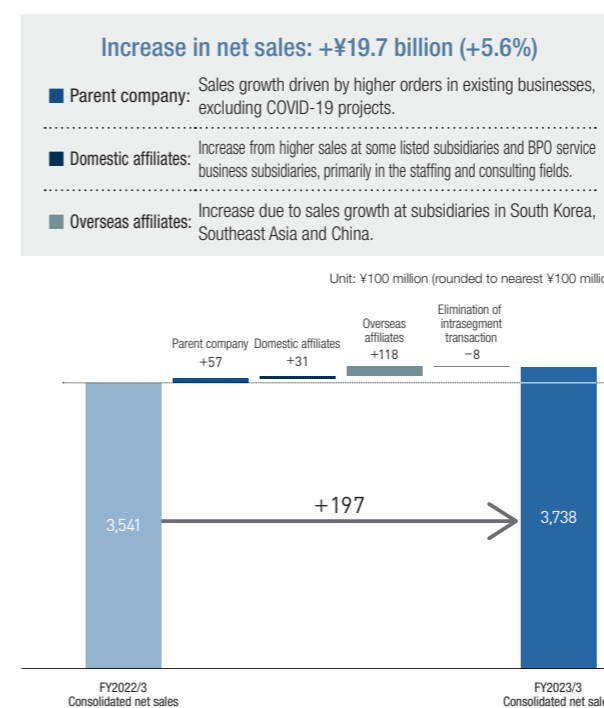
Operating Income by segment (consolidated)

Unit: ¥100 million (rounded to nearest ¥100 million)

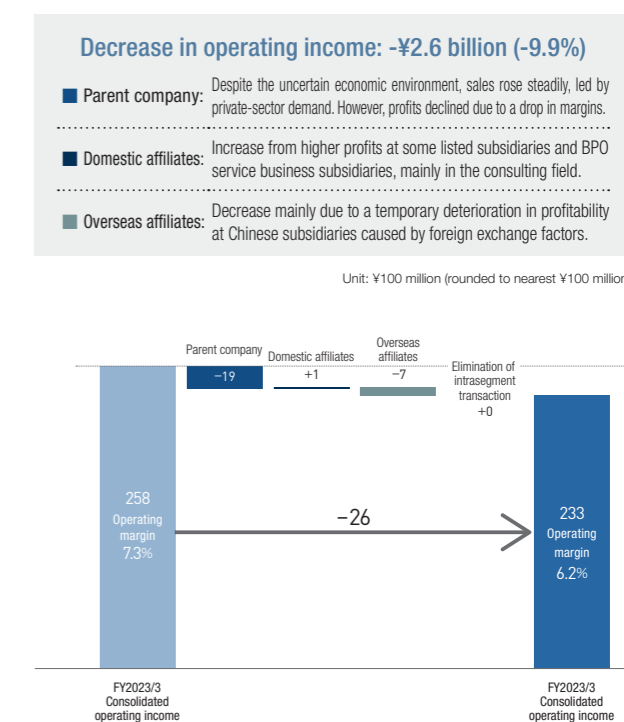


3 Financial analysis

Analysis of changes in net sales (consolidated)



Analysis of changes in operating income (consolidated)



4 Cash flow

Unit: ¥100 million (rounded to nearest ¥100 million)

	FY2022/3	FY2023/3	Change
Operating cash flow	158	243	85
Investing cash flow	-62	-78	-16
Financing cash flow	42	-319	-361
Cash & cash equivalents at end of year	639	494	-145
Free cash flow	95	164	69

*Free cash flow = Operating cash flow + Investing cash flow

Cash flows

Operating cash flow

Net cash provided by operating activities was ¥24,253 million, an increase of ¥8,483 million compared with the previous fiscal year. The main cash inflow was increase in cash and deposits, reflecting progress with the collection of trade receivables. The main cash outflows were decrease in income before income taxes and non-controlling interests, and decrease in notes and accounts payable - trade.

Investing cash flow

Net cash used in investing activities was ¥7,814 million, an increase of ¥1,591 million compared with the previous fiscal year, mainly reflecting increase in purchases of property, plant and equipment and increase in payments into time deposits.

Financing cash flow

Net cash used in financing activities was ¥31,895 million, compared with net cash provided of ¥4,218 million in the previous fiscal year. The main factors were increase in purchase of treasury stock, increase in repayment of long-term borrowings and decrease in proceeds from issuance of convertible-bond-type bonds with share acquisition rights, which were recorded in the previous fiscal year.

As a result of the above, cash and cash equivalents at the end of the fiscal year stood at ¥49,366 million, a decrease of ¥14,492 million from the end of the previous fiscal year.

Sources of capital and funding liquidity

Funding needs

The Group mainly requires funds for working capital and for capital investment in centers and other facilities. The Group also uses funds to invest in shares in line with business development requirements including business or capital tie-ups.

Financial policy

In principle, the Group uses funds generated by operating activities for working capital, capital investment and to invest in business development. However, depending on conditions, the Group may use other methods of fund procurement deemed appropriate at the time, such as bank borrowings, bond issuance and share issuance.

*Effective from the start of FY2022/3, the Company has adopted the "Accounting Standard for Revenue Recognition" (ASBJ Statement No. 29, March 31, 2020) and other related standards. As a result, the presentation of transactions considered to be agent transactions in certain businesses has been changed from the gross amount of net sales and cost of sales to the net amount.

Key financial data

Consolidated fiscal year	(¥ million)	2013/3	2014/3	2015/3	2016/3	2017/3	2018/3	2019/3	2020/3	2021/3	2022/3	2023/3
Sales		166,335	186,503	199,178	224,605	242,314	266,645	284,696	311,871	336,405	354,085	373,830
Gross profit		28,668	35,403	36,687	40,373	42,902	47,267	47,202	54,608	65,887	77,779	76,522
SG&A		21,415	25,861	27,521	30,648	34,822	41,175	41,846	43,918	48,135	51,932	53,231
Operating income		7,253	9,541	9,166	9,725	8,080	6,092	5,355	10,689	17,752	25,846	23,290
Net income attributable to shareholders of transcosmos inc.		4,919	6,289	7,349	7,587	7,156	-2,176	4,433	6,279	10,022	21,488	15,767
Capital expenditures		1,637	2,310	2,379	3,288	3,829	4,211	4,514	5,544	6,412	5,866	6,459
Depreciation and amortization		1,896	1,951	1,947	2,310	2,603	3,078	3,287	3,567	4,619	5,445	5,323
Cash flow from operating activities		8,737	8,921	12,177	3,197	8,487	7,814	3,889	8,093	15,715	15,770	24,253
Cash flow from investing activities		-252	-4,282	-8,062	-13,935	-6,199	-6,658	4,344	-6,885	-8,402	-6,223	-7,814
Cash flow from financing activities		-11,977	-8,284	-3,769	12,832	-3,300	-4,049	-3,165	-2,093	6,735	4,218	-31,895
Cash & cash equivalents at end of year		33,444	30,452	31,694	33,339	33,422	31,772	35,979	34,920	49,074	63,858	49,366
Free cash flow		8,484	4,639	4,115	-10,737	2,287	1,155	8,233	1,207	7,312	9,547	16,439
End of consolidated fiscal year	(¥ million)											
Net assets		53,301	60,809	67,396	83,981	85,188	71,199	74,915	77,969	92,516	120,880	112,381
Total equity		49,884	57,353	65,037	80,929	81,695	67,621	71,555	74,196	85,811	112,944	103,486
Total assets		88,420	92,173	101,551	140,674	143,802	129,067	135,268	143,985	175,883	218,455	193,842
Per share indicators	(¥)											
Current earnings per share		119.57	152.87	178.65	184.45	172.92	-52.47	106.90	151.40	241.65	518.12	389.22
Dividend per share (period end dividend)		36.00	46.00	54.00	56.00	52.00	23.00	33.00	46.00	93.00	156.00	117.00
Net assets per share		1,212.44	1,394.09	1,580.91	1,967.29	1,969.70	1,630.39	1,725.27	1,788.95	2,069.01	2,723.29	2,761.61
Financial indicators	(%)											
Return on equity (ROE)		10.3	11.7	12.0	10.4	8.8	—	6.4	8.6	12.5	21.6	14.6
Return on assets (ROA)		5.7	7.1	7.6	6.3	5.1	—	3.4	4.6	6.3	10.9	7.6
Equity ratio		56.4	62.2	64.0	57.5	56.8	52.4	52.9	51.5	48.8	51.7	53.4
Price-earnings ratio	(times)	11.2	13.9	14.2	15.9	15.1	—	20.2	12.6	12.4	6.2	8.1
Dividend ratio		30.1	30.1	30.2	30.4	30.1	—	30.9	30.4	38.5	30.1	30.1

*Partial Amendments to Accounting Standard for Tax Effect Accounting (ASBJ Statement No. 28, February 16, 2018) were applied from the start of FY2019/3. The amendments, etc. were retroactively applied to the financial statements for FY2018/3.

*Effective from the start of FY2022/3, the Company has adopted the "Accounting Standard for Revenue Recognition" (ASBJ Statement No. 29, March 31, 2020) and other related standards. As a result, the presentation of transactions considered to be agent transactions in certain businesses has been changed from the gross amount of net sales and cost of sales to the net amount.

Non-financial data

	2019/3	2020/3	2021/3	2022/3	2023/3
Total number of employees (consolidated)	54,917	58,516	63,675	69,512	70,291
Of which, employees (consolidated)	30,051	32,666	35,760	39,870	40,582
Of which, average number of temporary employees (consolidated)	24,866	25,850	27,915	29,642	29,709
(Parent data below)					
Number of employees	14,106	15,173	15,949	16,462	16,791
Of which, full-time employees (ex. employees on assignment from other companies)	10,952	11,605	12,128	12,426	12,813
Of which, employees on unlimited term contracts	3,154	3,568	3,821	4,036	3,978
Ratio of female employees (%)	44.0	45.1	45.9	46.5	47.4
Ratio of female managers ¹ (%)	19.3	19.3	21.9	23.0	25.9

¹: Calculated as of July in each fiscal year until FY2022/3, and as of the end of the fiscal year from FY2023/3.

(Parent data below)	2019/3	2020/3	2021/3	2022/3	2023/3
Average length of service (years)	8ys. 7mos.	8ys. 7mos.	8ys. 10mos.	9ys. 1mo.	9ys. 4mo.
Average monthly overtime per employee (hours)	19.7	19.9	18.0	18.5	17.6
Number of employees using childcare leave	169	183	260	303	310
Ratio of female employees (expectant and new mothers) using childcare leave (%)	100.0	100.0	100.0	100.0	100.0
Ratio of male employees (expectant and new fathers) using childcare leave ² (%)	5.2	12.5	46.6	55.4	85.0
Number of employees converted to full-time status	238	324	267	145	203
Number of employees with a disability	402	437	472	514	579
Ratio of outside directors (%)	33.3	35.3	38.9	41.2	43.8

²: From FY2021/3, calculated based on combined take-up rate of childcare leave and shared parental leave; from FY2023/3, includes contract employees.

Corporate overview

Registered Name	transcosmos inc.
Representative	Representative Director, Co-president Masaaki Muta Takeshi Kamiya
Date of Foundation	June 18, 1985 (Registered in November 30, 1978)
Paid-in Capital	¥29,065 million*
Employees	Group: 70,291 (Japan: 43,956 Global: 26,335)*
Headquarters	Sunshine 60 Bldg. 3-1-1, Higashi-Ikebukuro, Toshima-ku, Tokyo 170-6016 Japan +81-50-1751-7700 (Main phone number)
Main Office	Shibuya First Tower 1-2-20, Higashi, Shibuya-ku, Tokyo 150-0011 Japan

*As of March 31, 2023

Stock information (As of March 31, 2023)

Shares authorized for issue	150,000,000
Shares issued	48,794,046
Stockholders	10,566

Directors (As of June 21, 2023)

Representative Director, Chairman	Masataka Okuda
Representative Director, Co-president	Masaaki Muta Takeshi Kamiya
Representative Director, Executive Vice President	Masatoshi Kouno
Director, Executive Vice President	Kenshi Matsubara Hiroshi Kaizuka
Director, Senior Corporate Executive Officer & CTO	Kiyoshi Shiraishi
Director, Senior Corporate Executive Officer	Eijiro Yamashita
Director, Corporate Advisor	Koji Funatsu
Outside Director (Audit and Supervisory Committee Member)	Takeshi Natsuno Nozomu Yoshida Eiji Uda
Outside Director	Rehito Hatoyama Genichi Tamatsuka Noriyoshi Suzuki Miwa Tsurumori

Principal stockholders (As of March 31, 2023)

Name	Number of shares (thousands of shares)	Ratio of shares (%)
transcosmos foundation	6,753	18.02
Masataka Okuda	6,404	17.09
The Master Trust Bank of Japan, Ltd. (Account in Trust)	3,493	9.32
Custody Bank of Japan, Ltd. (Account in Trust)	1,815	4.85
Mihoko Hirai	1,463	3.91
THE BANK OF NEW YORK MELLON 140042	1,027	2.74
GOVERNMENT OF NORWAY	735	1.96
Limited company HM Kosan	722	1.93
Employee Shareholding Association of transcosmos inc.	697	1.86
CEPLUX- THE INDEPENDENT UCITS PLATFORM 2	541	1.44

Notes: 1. The Company holds 11,320 thousand shares of its own stock, but is excluded from the above top 10 stockholders, and the ratio of shares is calculated by deducting 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.

Our website

Please visit our website for more information about our company.

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



Group companies

◆: Equity-method affiliate

Domestic

J-Stream Inc.
Skylight Consulting Inc.
APPLIED TECHNOLOGY CO., LTD.
CROSSCO Co., Ltd
transcosmos digital technology inc.
transcosmos Partners inc.
Grand Design Co.,Ltd.
transcosmos analytics Inc.
transcosmos online communications inc.
caramo, Inc.
playground Co., Ltd.
FJ transcosmos Human Resource Professionals Limited
TT Process Management Inc.
TT Human Asset Service Corporation
transcosmos assist inc.
TCI Business Services inc.

Others 25 companies

Total 41 companies

Overseas

Asia

transcosmos Korea Inc.
Shanghai transcosmos Marketing Services Co., Ltd. (transcosmos China)
transcosmos (Thailand) Co., Ltd.
transcosmos artus company limited
transcosmos Asia Philippines inc.
transcosmos Vietnam Co., Ltd.
TRANSCOSMOS ZERO PTE.LTD.
TRANSCOSMOS (MALAYSIA) SDN. BHD.
transcosmos Taiwan Inc.
◆ EMNET INC.
◆ UNQ HOLDINGS LIMITED
◆ PT. transcosmos Indonesia

North America & Europe

transcosmos America, Inc.
Transcosmos Information Systems Group Limited

Offshore services (for Japan)

transcosmos Information Creative (China) Co., Ltd.
transcosmos Design Development (Dalian) Co., Ltd.
transcosmos business service outsourcing Suzhou Co., Ltd.
transcosmos technology Vietnam Co., Ltd.

Others 45 companies

*As of the end of March 2023

Total 63 companies

Please visit our website for the latest list of Group companies.
<https://www.trans-cosmos.co.jp/english/company/information/group.html>

