

transcosmos inc.
www.trans-cosmos.co.jp

Your
Global



Partner.

ANNUAL REPORT 2008
Year ended 31 March 2008

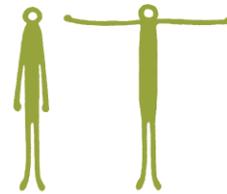
trans
cosmos
people & technology

transcosmos inc. is a comprehensive IT outsourcer, providing the highest-quality IT technology in the global market, and a labor force at optimal cost performance, tailored for each client company.

People & Technology

transcosmos provides high value-added services generated through the fusion of "People" and "Technology." "People" refers to high-caliber staff with outstanding skills that are the result of required education and training, and a personnel system that evaluates performance and abilities fairly. "Technology" refers to our distinctive R&D, which constantly absorbs cutting-edge global technologies. To this end, we have R&D centers in the United States, China, South Korea and elsewhere. By continuing to enhance the quality of such "People" and "Technology," we provide client companies with optimal services, featuring high quality and outstanding cost performance.

Your Global



Partner.

Global = Cost performance x Pinpoint precision
This is the transcosmos IT partner equation.

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Forward-looking Statements

This annual report contains statements regarding future performance including business plans, performance projections and strategic forecasts. Those statements are based on management's assessment of information currently available to transcosmos. Therefore, changes in the operating environment may cause actual results and progress in management strategies to differ from the forecasts made in this report.

FY2008 Highlights

Consolidated **net sales** grew 16.5% to
¥164,772 million.

Consolidated **operating income** decreased 41.5% to
¥4,365 million.

Consolidated **net loss** amounted to
¥3,140 million.

Consolidated **total assets** were
¥97,099 million.

Consolidated **net assets** were
¥49,761 million.

Net income per share was
¥(74.37)

Cash dividends per share were
¥40

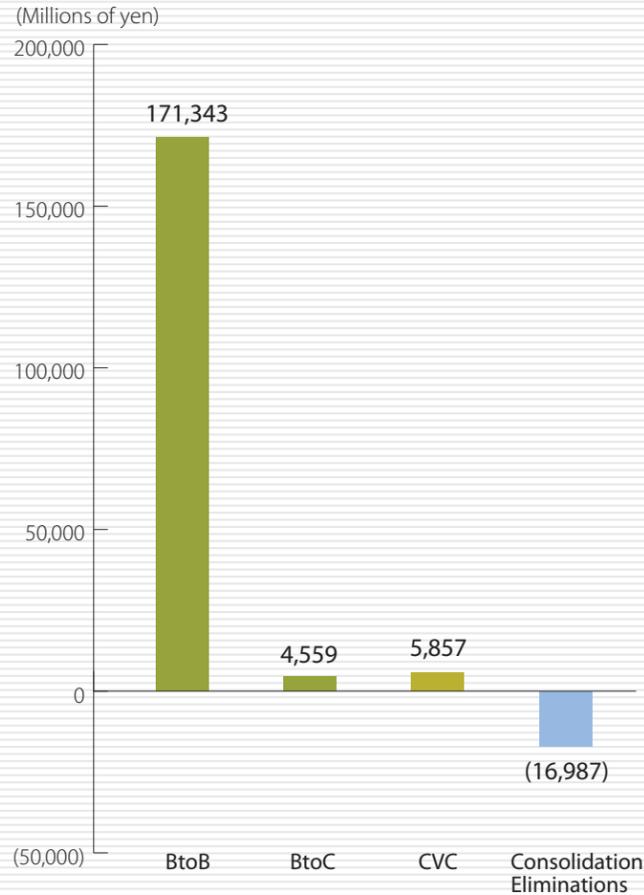
Topics

Established **Co-Core Inc.**, which is involved in the online 3-D virtual community business, and began operation of the Japanese-language "meet-me" metaverse.

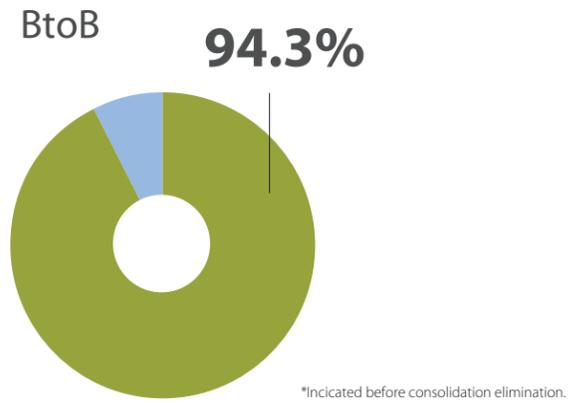
Established **transcosmos MCM Asia Pacific Pte. Ltd.** as a full-scale operations base in Singapore and began providing services in ASEAN countries.

Established a call center in Nagoya and commenced operations in the Tokai region, a center for companies in core industries such as the automobile industry.

Net Sales by Segment



IT Services



Digital Marketing Services

We provide complete Internet services, including corporate website creation, using the latest Internet technologies, online promotion and Internet advertising such as Listing.

Call Center Services

We collect customer data from multiple contact channels (via multiple channels including telephone, e-mail and websites) into a single customer database in order to fully utilize and manage it.

Business Process Outsourcing Services

As a full outsourcer in the corporate IT sector, we provide a wide range of services, including helping client companies to introduce and manage systems underlying their core businesses, support desk operations, employee education, and IT asset management.

Business Process Solution Services

Harnessing our image entry* network system, which is the largest such network owned by a Japanese company (consisting of 10 sites in Japan and three sites in China), we provide comprehensive services covering diagnosis, design, implementation and execution of business processes. (*Image entry: "Image entry" is a highly secure, leading-edge data entry. It does not directly deliver original data but transforms the original into image format using a scanner and/or a FAX server, thereby delivering it onto the network.)

Engineering Solution Services

Drawing on our expertise and know-how accumulated through CAD/CAM and other solutions, we offer engineering services that comprehensively support and reinforce customers' manufacturing capability.

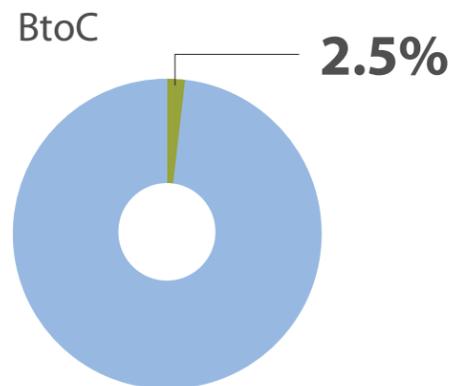
Overseas Business

We are developing a business structure to expand digital marketing and call center services, which we have operated in Japan, to China, South Korea and other Asian countries with Japanese-standard quality and technology.

Offshore System Developing Services in China

With our five operational bases in China, including Tianjin, we conduct planning, upstream design, development and maintenance of systems desired by our client companies. All such services are of high quality and at a low cost.

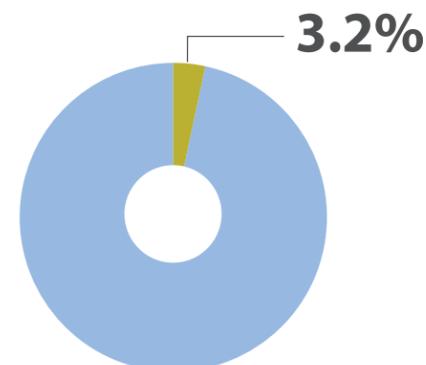
IT Services



BtoC Media Services

The transcosmos Group is developing Internet media services for individual consumers. We import leading-edge U.S. services, innovate through joint development with domestic venture companies boasting cutting-edge technologies, and reinforce joint businesses via strategic alliances with major media companies and content holders in each business field.

Corporate Venture Capital Business (CVC)



Corporate Venture Capital Business

To provide optimal services for our client companies on a continuing basis, and as part of our R&D activities to add higher value to services, we conduct Corporate Venture Capital (CVC) operations that include strategic investment, such as for business development to enable business synergies.

transcosmos Conducts Business Globally

transcosmos provides a variety of the services available in Japan, including digital marketing, call center services and business process outsourcing, in six other countries in North America and Asia with a focus on China and South Korea (as of June 2008), at the same level of quality and employing similar technologies.

List of Overseas Businesses

	Digital Marketing	Call Center	Business Process Outsourcing		
			Data Entry	System Development	Engineering Solution
China	The MCM operation base in China transcosmos MCM Shanghai Co., Ltd.			System Development transcosmos Information Creative(China) Co., Ltd.	Design, Prototype Development, Mock-up Production Construction Design transcosmos design development Co., Ltd.
	Digital Marketing OneXeno Limited 01 Media Limited TENSYN Interactive Group WebDNA Technology Development LTD.	Call Center Wecosmos Co., Ltd	Data Entry Shenyang transcosmos Information System, Co., Ltd.		
South Korea	The MCM Operation Base in South Korea transcosmos MCM Korea Co., Ltd.				
	Digital Marketing eMnet Inc. 9FRUITSMEDIA, Inc.	Call Center CIC Korea, Inc. Inwoo Tech, Inc.			
Singapore Thailand The Philippines	The MCM Operation Base in China transcosmos MCM Asia Pacific, Pte. Ltd.				
	Digital Marketing Mandate Advertising International Pte Ltd.	Call Center Mitsiam Tele-Services Co., Ltd.			
North America	The MCM Operation Base in North America transcosmos America, Inc.				

transcosmos is Accelerating the Globalization of Business with a Focus on China and South Korea

transcosmos opened its first overseas office, the United States branch, in 1989 with the objective of discovering businesses that have high synergy effects with the company's business in Japan, gathering the latest technological information, and conducting research.

In 1995, transcosmos established transcosmos Information Creative (China) Co., Ltd. as its first overseas strategic subsidiary and began providing offshore development services to Japan. Since then, transcosmos has expanded the provision of business services in China, primarily by transcosmos MCM Shanghai Co., Ltd., its MCM operating base in China. transcosmos also conducts a variety of business activities in South Korea, including call center operations, marketing, video streaming services and Internet advertising.

As a result of the ongoing establishment of subsidiaries and the formation of and investment in joint ventures with local companies, the transcosmos group now has a total of 16 companies overseas (as of June 2008).

Full-scale Expansion into ASEAN

The Internet market in the ASEAN countries (including Thailand, Singapore, India, the Philippines, Malaysia, Indonesia, Vietnam, and Australia) has expanded rapidly over the past several years. There are also many companies that make use of the region's English-language capabilities to provide call center services outsourced from Europe and America.

In 2004, transcosmos tied up with Mitsiam Tele-Services Co., Ltd., a telemarketing company, to provide offshore services to Japan and call center services within Thailand.

transcosmos also established transcosmos MCM Asia Pacific Pte. Ltd. in 2007 as a full-scale operation base in Singapore, a country where many multinational corporations have established offices. transcosmos has also established a capital tie-up with Mandate Advertising International Pte Ltd., an advertising agency with offices in Singapore and Malaysia. Through actions such as these, transcosmos has developed a structure for the broad provision of digital marketing services and call center services.

In 2008, transcosmos acquired Logical Inc., a call center firm based in Manila, the Philippines, to begin its entry into the English-language call center business. Going forward, the Company will provide call-center services in multiple languages to companies in numerous Asian countries and will reinforce its English-language call center services for companies in the ASEAN countries and the United States.

transcosmos Begins Support Services for Japanese Companies Entering Chinese Markets

transcosmos has 14 group companies in China (as of March 2008). The Company has established a track record in the provision of offshore services, such as data entry and system development, and is establishing digital marketing and call center services tailored to Chinese markets.

In March of 2008, transcosmos used its accumulated expertise to begin providing services to Japanese companies that wish to expand sales in China at the same level of quality as services available domestically. The Company is now able to provide one-stop, Japanese-language services ranging from planning and system development to customer support for Chinese consumers.

One-stop Support Services for All Non-core Operations

Onshore		Offshore
Marketing Services	Front Offices Services	Back Offices Services
OneXeno Limited	Wecosmos Co., Ltd	Shenyang transcosmos Information System, Co., Ltd.
01 Media Limited	-Order reception center	-Data entry
TENSYN Interactive Group	-Call center	-Billing
WebDNA Technology Development LTD.	-Support center	-Delivery
-Advertisement	01 Media Limited	transcosmos Information Creative (China) Co.,Ltd.
-Sales promotion	-Web site creation	-System design
-Promotion		-System development
		-System operation

Message from the Management



Koji Funatsu
Chairman & CEO

Summary of Business Results for the Fiscal Year Under Review

transcosmos began business in 1966 as a pioneer in the information processing outsourcing business. Since then, transcosmos has consistently provided high value-added outsourcing services, fulfilling the needs of increasingly diverse corporate customers.

Recently, there has been an accelerating trend away from in-sourcing, that is, companies owning all functions and having all operations performed by their own employees, to outsourcing, focusing on core competencies and using the services provided by outsourcing companies. At the same time, as the shift towards broadband for Internet access continues to expand, relationships between companies and consumers have become more direct and richer, and major changes in corporate marketing activities can be seen. In conjunction with these developments, outsourcing demand is growing for services that were previously performed by client companies in-house such as call center services, marketing via the Internet and mobile devices, system development, and application management.

To respond to this demand, transcosmos develops and provides high value-added services in business-to-business (BtoB) service areas including digital marketing in the form of Internet advertising and Website development, call center services, and business outsourcing.

During the fiscal year under review, we also actively developed our overseas business. transcosmos established MCM Asia Pacific Pte. Ltd. as a full-scale operations base in Singapore with the objective of providing to clients in the ASEAN countries the digital marketing and call center services at the same quality and employing similar technologies to those available in Japan. In addition, sales of our offshore development services in China are growing steadily. We also began providing Japanese companies that wish to expand sales in China with the same service quality available in Japan, ranging from planning and system development to customer support for Chinese consumers.

transcosmos is also expanding its business-to-consumer (BtoC) business. During the fiscal year under review, we suspended operations of a subsidiary engaged in the video

business but began operating "meet-me," the 3D virtual community, to make an entry into the metaverse business, an area that is attracting considerable attention as a next-generation medium. We will develop varied businesses through this type of withdrawal and concentration of resources to develop businesses that will become core services over the medium term.

It was under these circumstances that consolidated net sales reached ¥164,772 million, an increase of 16.5% from the previous fiscal year. Unfortunately, however, consolidated operating income was down ¥3,100 million to ¥4,365 million, and consolidated net income was down ¥10,508 million for a net loss of ¥3,140 million. Although BtoB businesses such as digital marketing services and call center services posted higher income, consolidated operating income fell primarily as a result of an increase in impairment losses on investments in non-listed companies in the corporate venture capital (CVC) business.

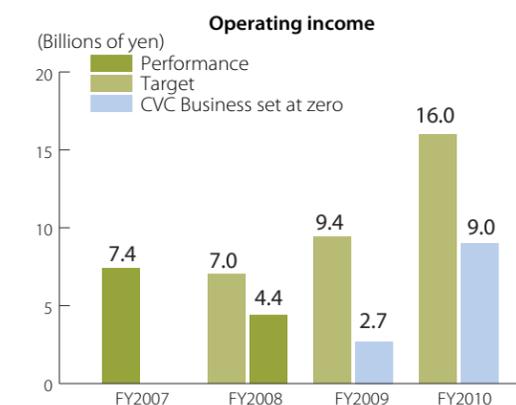
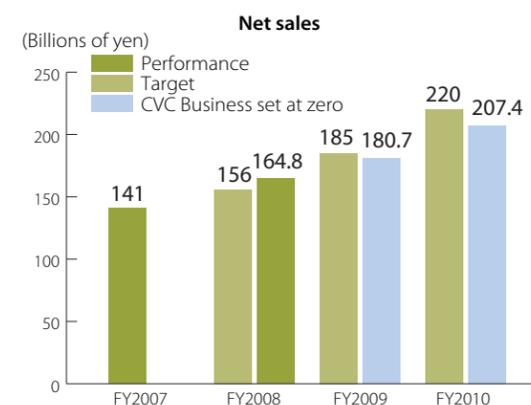
As a result of the above, we will not change the goals set in the Medium-Term Business Plan, the final year of which is FY2010 (the fiscal year ending March 2010), despite the fact that we forecast ongoing declines in sales and income in the CVC business, given that the current market slump is expected to continue. The projected figures, not taking into account net sales and income in the CVC business, are consolidated net sales of ¥207.4 billion and consolidated operating income of ¥9.0 billion yen.

Future Actions

In light of the fact that the primary cause of the substantial decline in income during the year under review was the CVC business, we have established a new Corporate Planning Division to reinforce business management. The mission of the new division is to promptly ascertain the management status of affiliates and investment targets that affect our financial results, reinforce monitoring of new investments and M&A in terms of their effect on financial results, perform cost controls, and raise the precision of quantitative analysis used in individual divisions.

In the IT services, which are performing well, we are reorganizing marketing organizations to reinforce business foundations. We will consolidate the sales organizations for digital marketing (DM) services and the manufacturing sector into the Sales Headquarters to integrate marketing structures. This will serve to reinforce marketing structures organized by industry. We will also establish a services promotion division in the DM services sector and a sales promotion division in the Call Center (CC) Services Headquarters to enhance cooperation with Sales Headquarters. In addition, we will implement a companywide consolidation of the service planning divisions in each service sector. A new service planning division will respond to customer needs by planning, developing, and proposing services.

Medium-Term Business Plan Performance Targets / Projected Figures with Net Sales and Operating Income in the CVC Business Set at Zero (Consolidated)



Mission of Medium-Term Business Plan

Become No. 1 in the digital marketing industry

Become Japan's largest global IT outsourcer

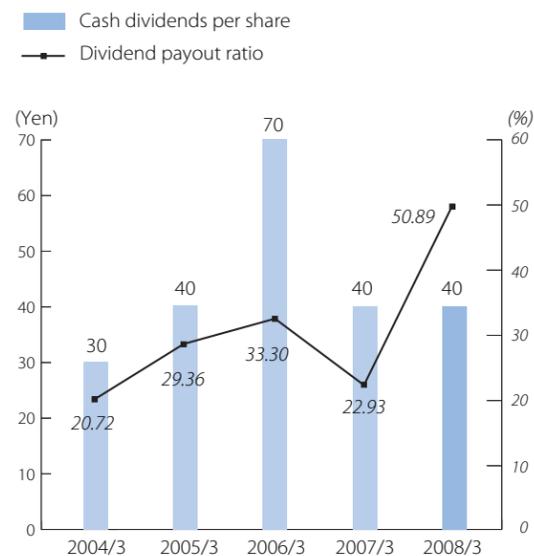
Establish a BtoC business

Basic Policy Concerning Dividends

transcosmos places the distribution of retained earnings to stockholders as one of its prime management issues. In fiscal 2005, we shifted from a conventional stable dividend policy to a dividend policy that emphasizes a payout ratio relative to business results. The Company paid a dividend of ¥40 (an annual dividend of ¥40, of which ¥20 was a special dividend.) per share at the end of the current fiscal term. In the next fiscal term, we plan to pay an annual dividend of ¥20 per share (an individual dividend payout ratio of 33.5%).

The Company intends to use its internal reserves to improve its financial standing and to make capital investments in new call centers and information systems, etc. The Company will expand its business and add higher value to our services through new investments and M&A in areas that can create synergies with its businesses.

Cash Dividends Per Share and Dividend Payout Ratio



Corporate Governance

To conduct sound and transparent corporate activities in compliance with related laws and regulations, transcosmos formulated the Basic Management Philosophy, the Management Goals and the Code of Conduct as standards which all employees must comply with and enforce. They form the basic concept that supports corporate governance as a code of conduct for employees and corporate philosophy. To respond to trust from stockholders, employees and society, we are striving to establish a corporate governance system and implement appropriate measures. We strive to continually develop as a company that can live up to all stakeholders' interests and improve corporate value over the medium to long term.

Basic Management Policy

The true value of our company lies in customer satisfaction, and the development of each employee creates value and secures our future.

Commitment to our clients

- * We will keep abreast of the latest technological trends and continuously provide high value-added and high-quality services by creatively bringing together high-caliber people and leading-edge technologies.
- * We will build solid partnerships with our clients based on trust.

Commitment to our employees

- * The unlimited potential of our employees is our greatest resource, and we will provide generous education and training as necessary for each employee's progress.
- * We will provide equal opportunities to all employees and will offer matching compensation and new opportunities depending on each person's performance and competence.

Commitment to society and our stockholders

- *The Group strives to grow its businesses, thereby enhancing stockholder value and contributing to advances in the society.

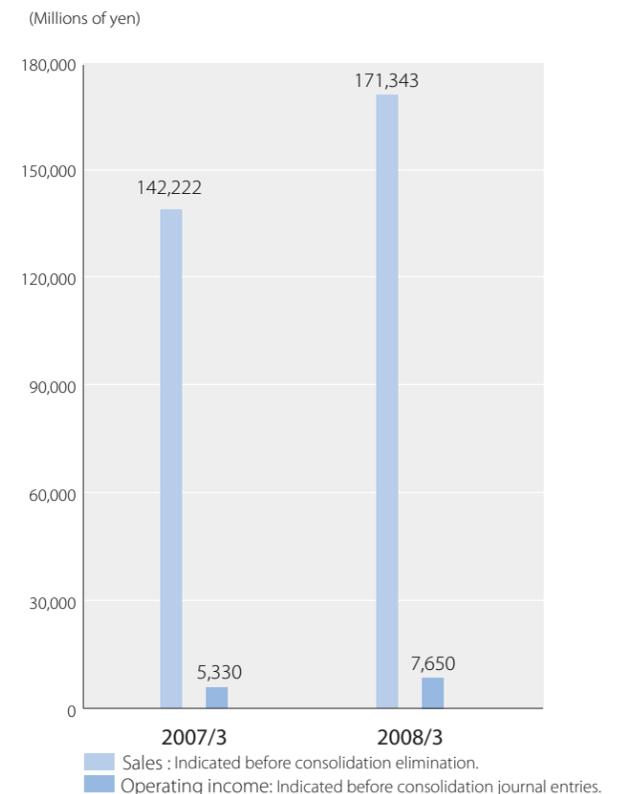
Review of Operations

IT Services BtoB

The BtoB business supports client companies based on the Marketing Chain Management concept. This business consists mainly of Digital Marketing Services, Call Center Services and Business Process Outsourcing Services. Digital Marketing Services comprehensively support a variety of client company activities, from the creation and operation of websites to promotional activities such as Internet advertising. Call Center Services via multiple contact channels make the best use of and fully manage information from customers. Business Process Outsourcing Services help client companies manage and control their in-house systems. transcosmos provides these services not only in Japan, but also in six other countries at the same level of quality and employing similar technologies. The result is sales and operating income in the BtoB business that exceeded last fiscal year's performance.

Early in the fiscal year, transcosmos modified its organizational structures to reinforce ties between service providers and marketing. To further facilitate this collaboration, in April 2008 we consolidated sales organizations in Digital Marketing Services and in the manufacturing sector into the Sales Headquarters. This change has made it possible for each service headquarters to focus on the provision of services. We will also create a division in each one to facilitate collaboration with the Sales Headquarters so we can promptly provide services tailored to client needs.

Consolidated Sales and Operating Income in the BtoB Business



Principal Subsidiaries



<http://www.stream.co.jp/>

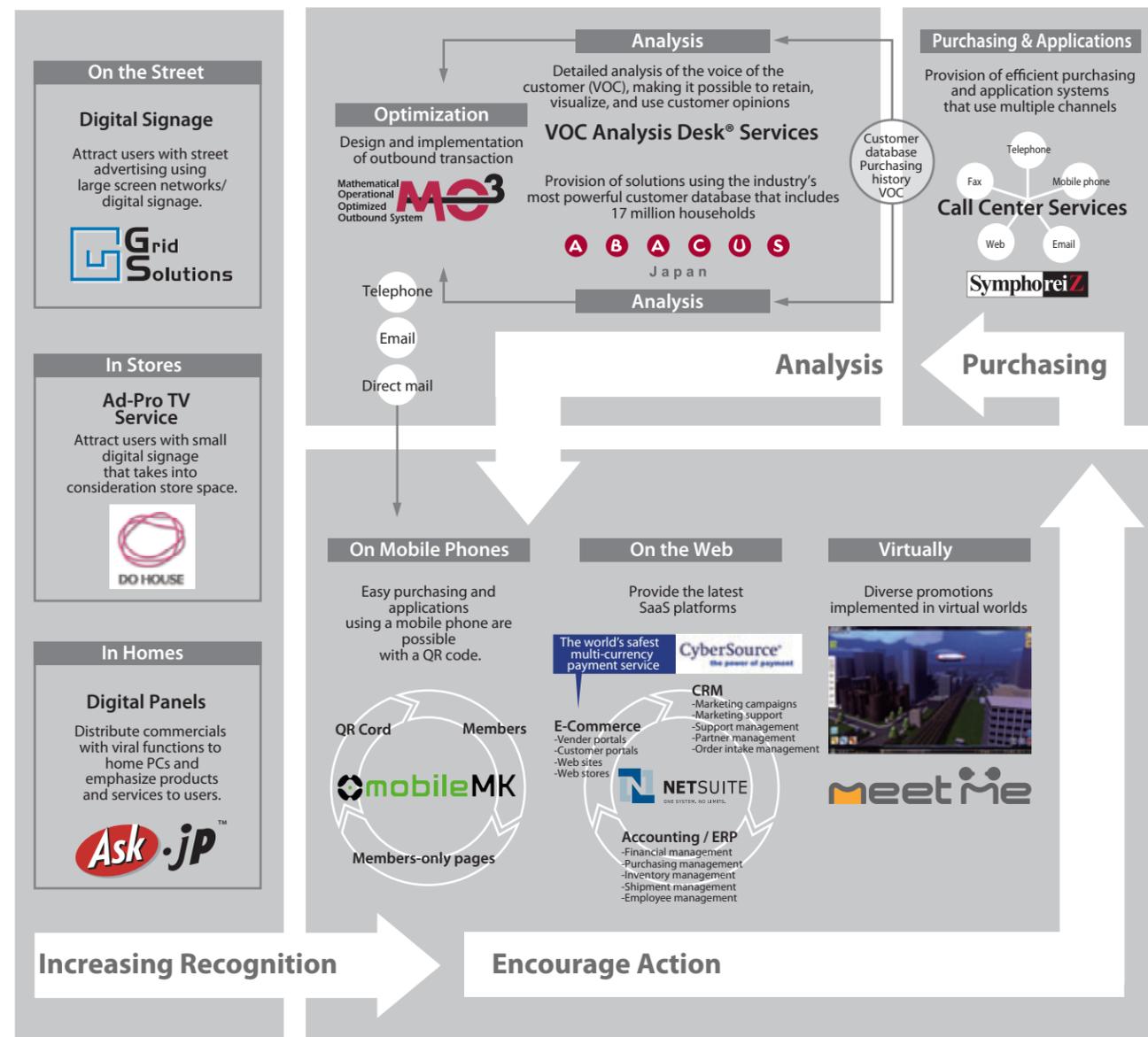
Japan's largest streaming video provider, also engaged in the podcasting portal service.



<http://www.doubleclick.co.jp/>

Global standard in Internet advertising distribution.

Digital Marketing Service Total Solution



*VOC: Voice of the Customer, meaning customer feedback

Digital Marketing Services

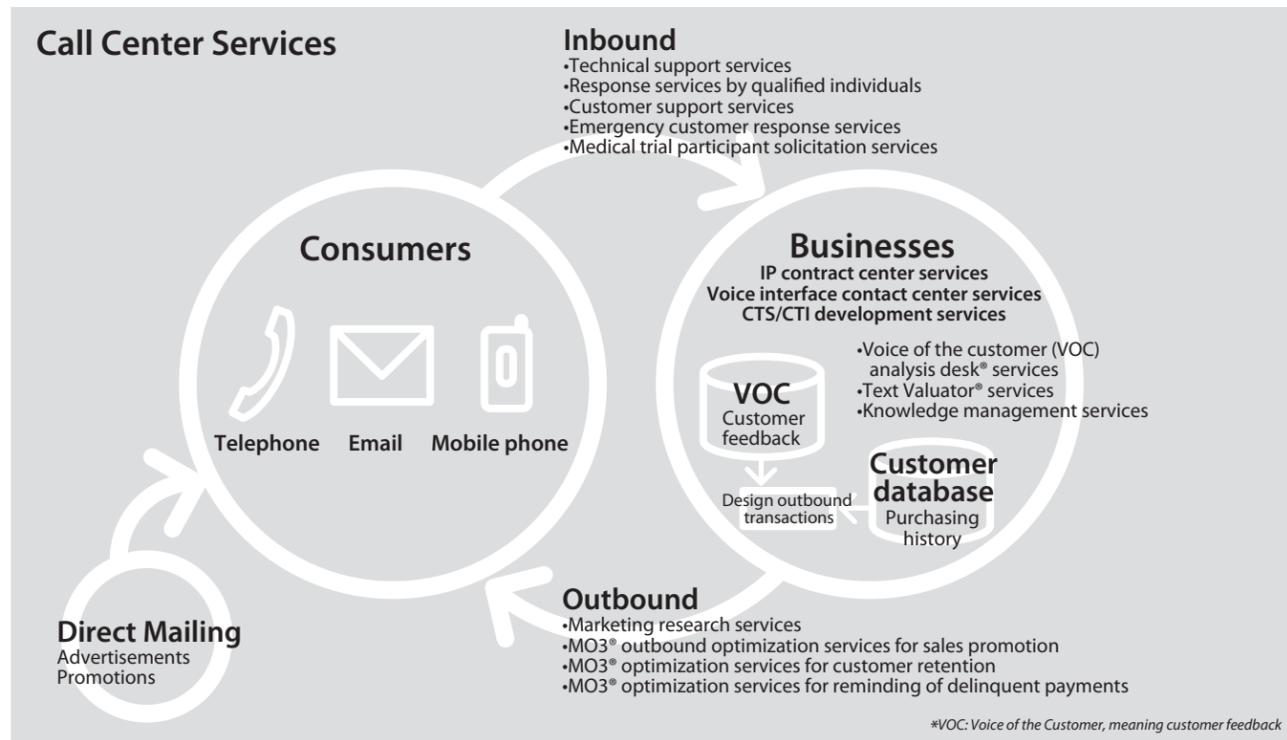
The Digital Marketing Services support the full range of corporate marketing activities through advertising agency services for the Internet and other types of advertising, promotions, and marketing research, as well as Web integration services such as website development and operation. During the fiscal year under review, **transcosmos** also expanded its sales support business for marketing activities such as event and campaign sales as well as in-store and door-to-door sales.

The Japanese Internet market in which the **transcosmos** Group supplies digital marketing services surpassed 600 billion yen in 2007. Within the total market, the search engine marketing (SEM) segment was worth 128.2 billion yen, an increase of 37.8% from the previous fiscal year due to a strong tendency for companies to emphasize cost effectiveness. In addition, as the number of mobile phone subscribers increases and higher connection speeds with greater data capacities become more common, mobile advertising has become a more active aspect of corporate promotional activities, with the market posting 62.1 billion yen, an increase of 59.2% from the previous fiscal year (all figures cited above are from *Advertising Expenditures in Japan* (January to December 2007) published by **Dentsu Inc.**).

Against the backdrop of these market developments, the **transcosmos** Group's Digital Marketing Services continues to perform well. During the fiscal year under review, we reinforced our Internet advertising marketing structures, and at the end of FY2008 some 597 marketing personnel were being employed. We have also introduced original tools for increasing the effectiveness of Internet advertising to maximize client return on investment. As a result of these efforts, our listing advertising revenues in FY2008 were 9.4 billion yen, making us the third-largest advertising agency in Japan (according to internal research). In the Web integration business, we have created one of the largest website production structures in Japan and plan to increase employment for operations worldwide to 1,050 people in FY2009.

transcosmos continues to focus on the development and provision of services that incorporate state-of-the-art Internet technologies. New initiatives launched during the fiscal year include Feed Powered, an RSS advertising delivery service that uses the RSS feed technology of America-based **Pheedo, Inc.**, SearchForce, an automated bidding tool for listing keywords, and Cross-Census, an effects-measurement tool suited to advertising analysis. In addition, we are promoting collaboration with the "meet-me" metaverse* business in the BtoC sector, supporting promotions that seamlessly link 3D virtual spaces, real stores, and websites.

*See BtoC Media Services on pp.18-19.



Call Center Network



Sales Growth Rates

(up from the previous fiscal year)



Call Center Services

During the fiscal year under review, **transcosmos** actively opened regional call centers to secure high-quality human resources and to reduce costs. As a result, the ratio of call centers based in Tokyo and those in other regions has shifted from 6:4 in FY2005 to 3:7 by the end of the fiscal year under review.

Supported by strong competitiveness and expanded service territories developed in this manner, we have stepped up our marketing activities in the finance, communications, logistics, and public sectors and achieved a rapid sales increase of 32% compared to the last fiscal year in these four industries. In the finance sector, **transcosmos** saw an increase in orders thanks to call center integration in conjunction with consolidation and reorganization of finance companies and increased customer service as a result of banks handling expanded

financial product lines. In the communications sector, customer service operations are increasing in conjunction with the expansion of optical fiber lines and mobile phone programming support is also increasing. The logistics sector is experiencing growth in such business areas as the ordering services, thanks to expanded television shopping, and health management services, increasing health consciousness. In the public sector, service areas have expanded in conjunction with the privatization of the post office, and orders for electronic certification services are also increasing as local governments reform their operations.

transcosmos' Call Center Services, which combine inbound and outbound services, allow us to efficiently increase the number of opportunities to approach customers. This advantage is created by implementing optimal outbound services that are designed using data mining technology to

scientifically analyze inbound information from customers. Acquired from customer feedback, such information is collected while addressing inbound calls for inquiries and cancellations.

Since 2002, **transcosmos** has applied original analysis methodology development so that the "voices of customers" (VOC)* received at call centers can be used in corporate marketing activities. These analysis methods and the operational expertise for accurately gathering VOC were systematized and released as the VOC Analysis Desk® Service in 2006. During the fiscal year under review, **transcosmos** raised analysis environments and capabilities to a higher level, and as a result, we expect to have one of the largest environments and most extensive capabilities in Japan by FY2009, boasting 151 text-mining analysts and 131 tool licenses.

*VOC means customer feedback.



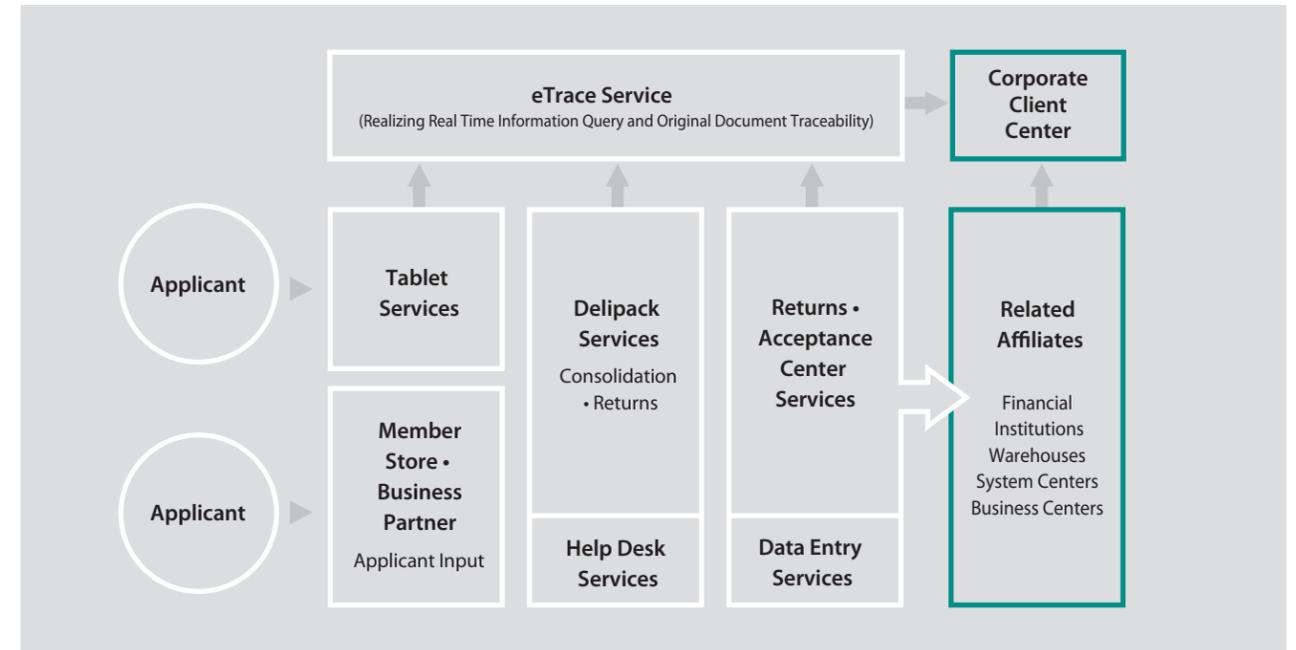
Business Process Outsourcing (BPO) Services

BPO services provide comprehensive solutions to our clients, from strategic planning support, to IT management process diagnostics, design, establishment and implementation of IT systems. The operations side of these services are also extensively developed, including assistance with employee education and compilation of manuals for familiarizing an entire company with their IT system.

During the fiscal year under review, many companies accelerated their reviews of internal control and IT control operations and regulations in preparation for the Financial Instruments and Exchange Law (commonly known as the "Japanese version of the Sarbanes-Oxley Act" or "J-SOX") that was coming into effect, supporting the continued strong growth of the BPO service business. In September 2007, **transcosmos** began offering a Managed Internet Data Center Service to support the continued and stable operation of information systems during disasters and other emergencies

as a business continuity solution for companies. **transcosmos** established a data center in Okinawa, which is extremely unlikely to face a disaster at the same time as one occurring in the Tokyo metropolitan region, operating systems from a dedicated Managed Service Provider (MSP) center to provide secure systems to client companies.

transcosmos' Support Desk (help desk) services, one of the main pillars of its BPO service business, have been praised for their high quality, boasting a major share of the Japanese market. For the past five years, **transcosmos** has been concentrating on staff training in cooperation with **HDI-Japan**, the local subsidiary of the Help Desk Institute (HDI), the world's largest organization of its type in the support desk industry, so it can provide support services based on international standards. In January 2008, **transcosmos** became the first company in Japan to conclude a strategic partnership agreement with **HDI-Japan**. In the future, **transcosmos** plans to provide comprehensive solutions based on international standards in Japan and other countries.



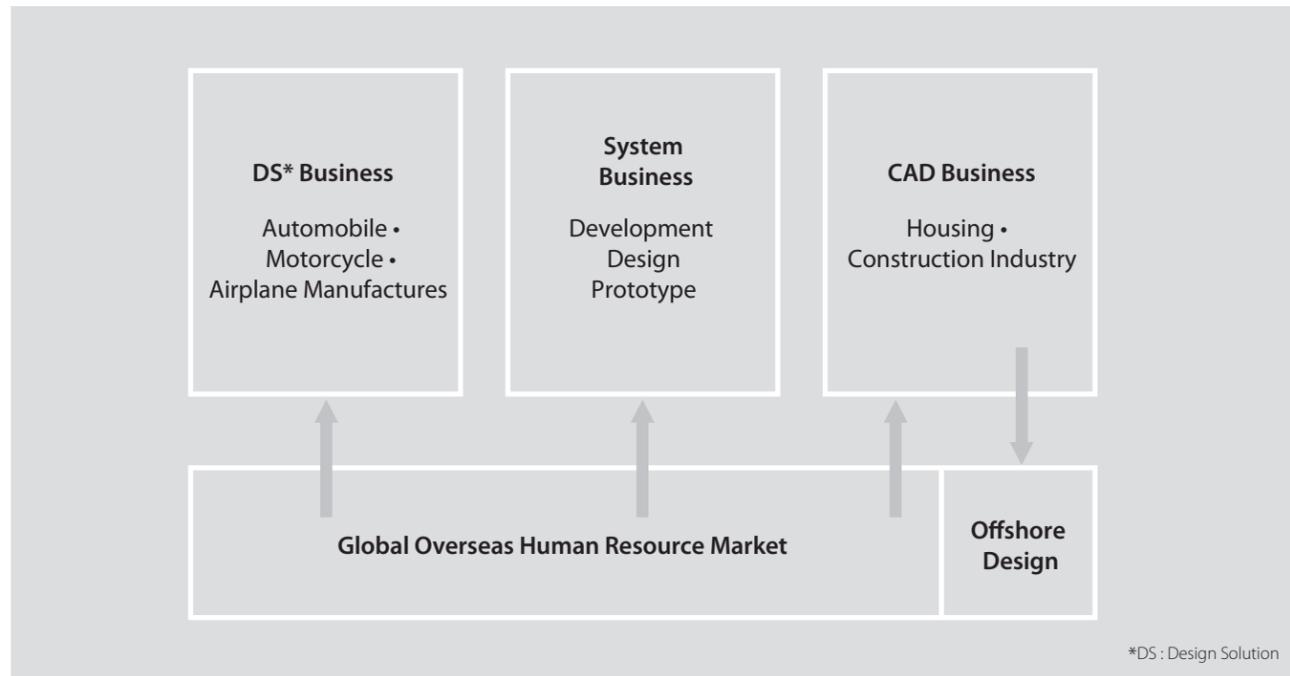
Business Process Outsourcing (BPO) Services

In its BPS services, **transcosmos** conducts operations for clients, including business process diagnosis, design, creation and implementation, and provides consulting services on improving business processes.

Information retrieval and reception centers, which perform personal information document management and imaging, confirm the content of documents, encode them, image them, and transmit them to data entry centers in encrypted and partitioned form. **transcosmos** has data entry centers in Japan and China, boasting the largest data entry system in Japan. During the fiscal year under review, we established three new data entry center companies in China and opened three centers to increase our data processing capacity. When performing data entry work, forms containing names, addresses and numerical data are transformed into partitioned-image format so that the underlying personal information cannot be identified during input.

In addition, **transcosmos** provides eTrace services, which make it possible to trace the location and status of documents in real time. This service enables clients to access file transfer and status management data via the Internet using application service provider (ASP) services, allowing the integrated management of logistics and business process status traceability.

Factors such as the implementation of the Personal Information Protection Law and reinforcement of internal controls are causing companies to take active measures concerning legal compliance and corporate governance. This is creating additional opportunities for the use of **transcosmos** services.



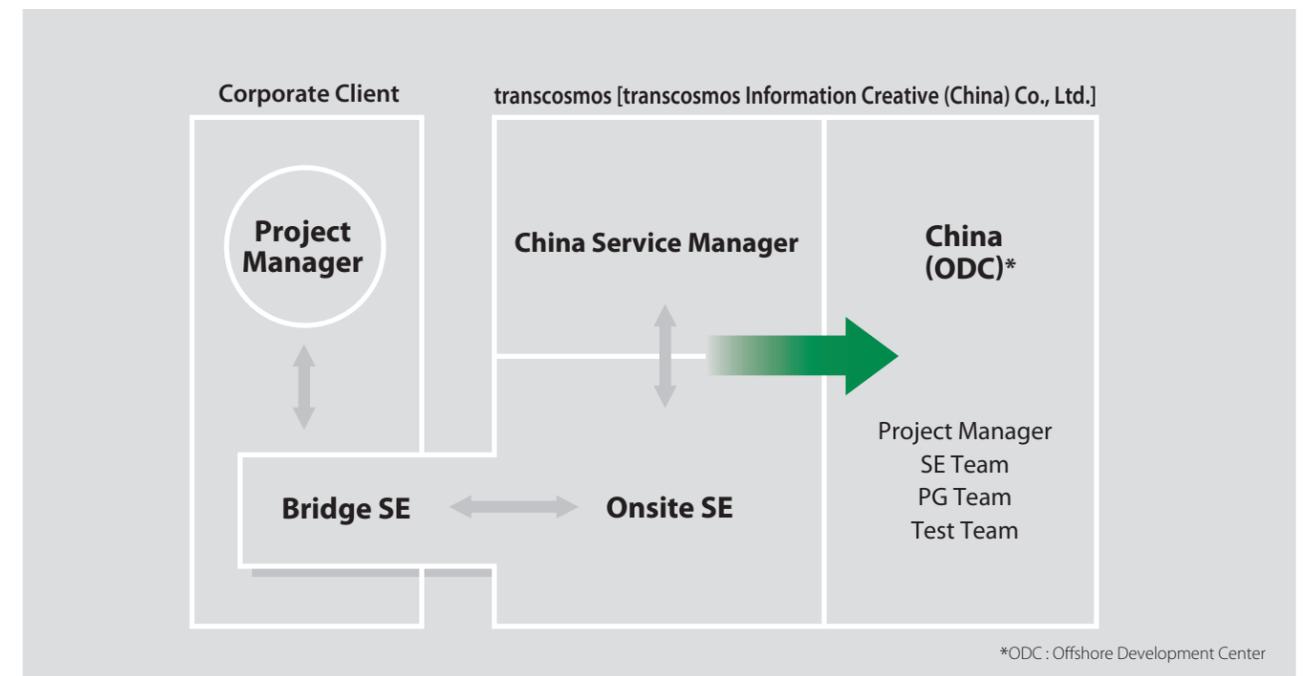
Engineering Solutions (ES) Business

The ES business domain comprises: (1) the design solution business, which involves product design, analysis, testing and evaluation, prototyping, and production technology for new automobile models, next-generation aircraft, new *shinkansen* (high-speed trains), next-generation mobile phones, and other products for manufacturing industries; (2) the Computer Aided Design (CAD) business, which includes structural and facility design for home and high-rise residential structures for the housing construction industry; and (3) the Technical Engineering Support (TES) business, which supports development in the manufacturing industry through collaboration and sharing of various hardware and software used for increasing development efficiency and carrying out information system development, operation and management.

The ES service business was launched in 1982 and was expanded with the addition of 2D CAD services for the manufacturing industry in 1984 and services for the housing

construction industries in 1985. Since then, there has been a shift towards 3D CAD services in conjunction with technological advances. In 2000, **transcosmos** launched design and analysis services intended primarily for the motor vehicle industry.

Overseas expansion by Japanese businesses has been quite active in the past several years, and in its ES services too, **transcosmos** is building on its domestic business to develop overseas operations with the aim of dominating the Asian market. Operations are being developed in the machinery design sector in Qingdao City and Dalian City in China, and identifying and nurturing engineers with advanced skills at **Applied Technology Korea Inc.**



Overseas Business

The **transcosmos** Group overseas comprises a total of 16 companies in six countries, primarily China and South Korea (as of June 2008). Through this network, **transcosmos** offers a wide range of services including digital marketing services, call center services, and data entry services around the world at the same high levels of quality provided in Japan.

* See the Special feature: **transcosmos** Conducts Business Globally on pp. 4-5 for additional information.

Offshore System Development Services in China

In the offshore system development services sector in China, offshore development services (ODS), a form of development outsourcing provided under contract for individual projects, and offshore development center (ODC) services, which are better suited to major long-term projects, performed well during the fiscal year under review. **transcosmos** provides a full range of high-quality, low-cost services from planning to

design, development, and maintenance of the information systems that clients need.

The ODC services of **transcosmos** feature a Japanese-speaking SE team, specialized engineers who are dedicated to a specific client's project, with customized facilities for each client. The Japanese-speaking SE team makes it possible to communicate with and issue work instructions to Chinese engineers and then confirm the progress of operations in Japanese. Through this structure, we provide convenient services that make our client companies feel as if our project sites were their own development bases.

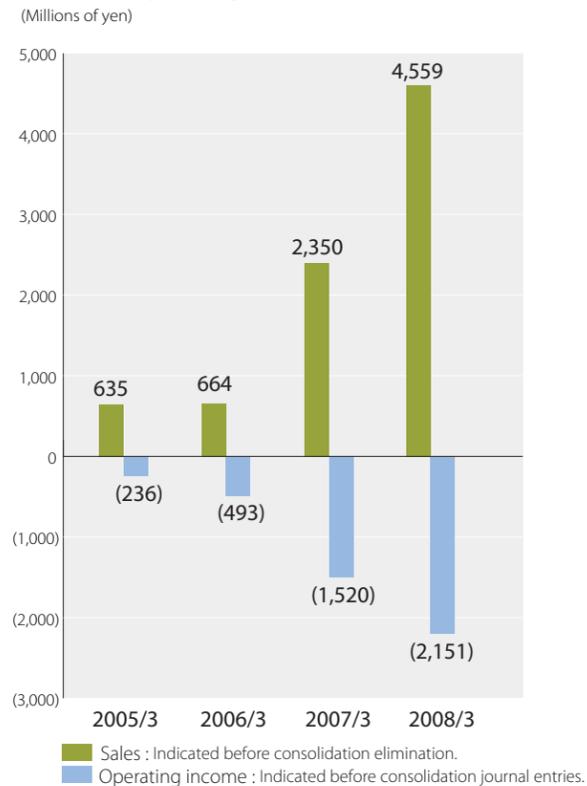
At **transcosmos Information Creative (China) Co., Ltd.**, which is a wholly owned subsidiary of **transcosmos** and a base of offshore development, we have streamlined the latest infrastructure with security measures that comply with the ISO2700 (BS7799). We also acquired Level 5—the highest level—of the Capability Maturity Model Integration (CMMI), which evaluates the maturity of organizations that conduct system development and maintenance.

BtoC Media Services

transcosmos has positioned the BtoC Media Services as a core business for the Group over the medium term and is concentrating resources in this area to promote growth. Since **transcosmos** is able to rapidly identify consumer trends through its activities in this sector, we can provide services that are useful to the marketing strategies of client companies, and hope to increase both the profitability and added value of digital marketing services.

At the end of FY2008, **transcosmos** had nine affiliates active in BtoC areas. During the fiscal year under review, **transcosmos** set goals for streamlining in this sector, aggressively withdrew from unprofitable businesses, and made active investments in new businesses. As a result, sales grew by 92% from the previous fiscal year to 4.6 billion yen. Because of ongoing advance investment, operating income was down 700 million yen from the previous fiscal year and an operating loss of 2.2 billion yen was posted. Investment peaked during the fiscal year under review, however, and the operating loss is expected to contract in the next fiscal year.

Sales and Operating Income for the BtoC Affiliates



Principal Affiliates

The **Become Japan** shopping search engine is a website that enables users to gather product information and compare prices at different online stores at the same time. The U.S. headquarters turned profitable in the fourth quarter of FY2007. In addition, **transcosmos** started providing product database information to **Yahoo!** Shopping during the fiscal year under review, and further development of this business is expected. Both **Ask.jp**, a video upload and high-speed blog search site, and the **Shockwave** game and animation portal have reduced costs and reinforced marketing and are performing well.

In March 2007, we established **Co-Core Inc.**, which is developing an online 3-D virtual community (Metaverse*) business, with **FromSoftware, Inc.**, and **Sankei Shimbun Co., Ltd.**, and started operation of the Japanese-language "meet-me" (alpha version) metaverse in FY2008. "meet-me" is a metaverse that creates a virtual Tokyo experience for general PC users, including women and children, to enjoy. With the start of official operations in April 2008, **Toyota Motor Corporation** launched the **Toyota Metapolis**, a virtual urban space. **FromSoftware**, a company partly owned by **transcosmos**, invests in **Co-Core**. **FromSoftware** plans, develops, and markets household games, including major hits such as **Armored Core**, and is in charge of developing "meet-me." In FY2008, **FromSoftware** saw its sales increase by 89% from the previous fiscal year and posted an operating profit.

At the same time, **transcosmos** has withdrawn from some businesses. **Listen Japan, Inc.**, which sells music downloads, terminated the Listen Mobile service for mobile devices and integrated its infrastructure with **Ask.jp Co., Ltd.** to reduce operating costs. Operations of the **CinemaNow Japan, Inc.** video network distribution service were also terminated.

The **transcosmos** Group will continue strengthening its BtoC media services and generate synergy effects with digital marketing and call center services.

*Metaverse refers to a 3-D virtual space that originated in the 1992 sci-fi novel *Snow Crash* by Neal Stephenson. Rules in the space are open-source, thereby allowing creation and change by users. Metaverse is drawing attention as a new business field for advertising and marketing.

Principal Affiliates



<http://www.become.co.jp>



<http://ask.jp>



<http://jp.shockwave.com>



<http://www.meet-me.jp/>



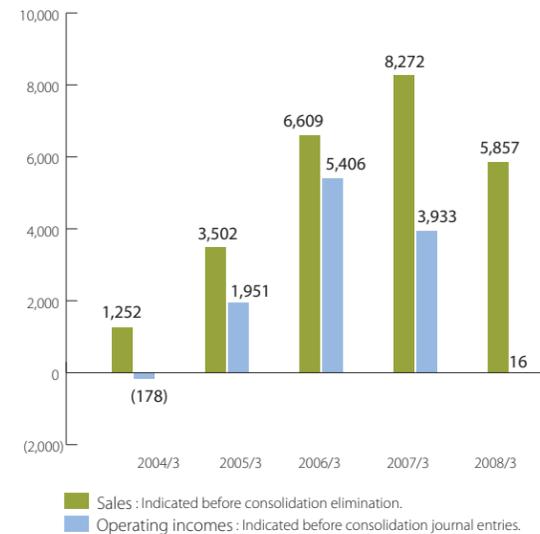
Review of Operations Corporate Venture Capital Business

transcosmos is active in the corporate venture capital business with the primary purpose of acquiring new technologies and services so it can develop information services that correspond to changing technological innovations. Over the past twenty years, transcosmos has kept an eye on technological changes in the United States, which is advanced in the use of outsourcing services, and has introduced useful technologies into Japan. Through the launch of new businesses and via the management of the Group's affiliates and subsidiaries, we have pursued next-generation high-value-added services. This focus has resulted in major companies offering world-class technologies, such as streaming videos by **J-Stream Inc.**, surveys of Internet viewer ratings by **NetRatings Japan Inc.**, and delivery of Internet advertisements by **DoubleClick Japan Inc.**

Recently, transcosmos has been actively investing in BtoC related fields so it can quickly identify consumer trends and use this information in marketing strategies. We are collaborating with leading media companies and content providers to offer high-quality consumer services such as **Ask.jp**, a video upload and blog search site, and **Become**, a new type of shopping search engine. Current business synergies include importing technologies and services to Japan from U.S. companies in which we are investing, investments in Asia for business expansion, and other **transactions** via business tie-ups with domestic companies in which we invest. We also use investment for the sake of generating revenue to fund our subsequent M&A. During the fiscal year under review, strategic sales of the shares in other companies were limited to just 2,416 million yen because of the downturn in stock markets, a decline of 29.2% from the previous fiscal year. Operating income fell 99.6% to 16 million yen because of increased valuation losses on shares of non-publicly traded investment targets and other factors.

Sales and Operating Income for the Past Five Years

(Millions of yen)



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transcosmos group

Japan

Marketing Chain Management Service

J-Stream Inc.
DoubleClick Japan Inc.
NetRatings Japan Inc.
CyberSource, K.K.
Marketswich Japan K.K.
Abacus Japan K.K.
Business Process Service co., LTD(BPS)

Call Center Operation Services

transcosmos CRM Okinawa Inc.
transcosmos CRM Miyazaki Inc.
transcosmos CRM Sapporo Inc.
transcosmos CRM Wakayama Inc.
Wakayama Planet K.K.

E-Business sites

Ask.jp Co., Ltd.
Forecast Communications Inc.
Listen Japan, Inc.
CinemaNow Japan, Inc.
Shockwave Entertainment, Inc.
Fujiisan Magazine Service Co., Ltd.
NetMile, Inc.
Become Japan K.K.
Co-Core Inc.
amimo LLP
Tong Yang Online Co.,Ltd.

Consulting / System Integration / System Engineering Services

Skylight Consulting Inc.
APPLIED TECHNOLOGY CO.,LTD.

USA

Service Development Company

Transcosmos Investments & Business Development Inc.

Service Company

transcosmos America Inc.

Strategically Associated Companies

DoubleClick Inc.
NetRatings, Inc.
Donnerwood Media, Inc.
Pheedo, Inc.
Audioblog, Inc.
Multiply, Inc.
Become, Inc.Optimost

China

transcosmos MCM Shanghai Co., Ltd.
Wecosmos Co., Ltd
transcosmos Information System(Shanghai) Co., Ltd.
OneXeno Limited
transcosmos Information Creative (China)Co., Ltd.
transcosmos design development Co., Ltd.
Qingdao Zuki Industrial Design Co., Ltd.

South Korea

transcosmos MCM Korea Co., Ltd.
CIC Korea, Inc.
Inwoo Tech Inc.
9 FRUITSMEDIA, Inc.
S.M.Online Co., Ltd.
Tong Yang Online Co.,Ltd.
APPLIED TECHNOLOGY KOREA INC

