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Securities Code: 9715  
June 7, 2006

**To Those Shareholders with Voting Rights**

Masataka Okuda  
President and COO  
transcosmos inc.  
25-18, Shibuya 3-chome, Shibuya-ku,  
Tokyo, Japan

**NOTICE OF THE 21<sup>st</sup> ANNUAL GENERAL MEETING OF SHAREHOLDERS**

You are cordially invited to attend the 21<sup>st</sup> Annual General Meeting of Shareholders. The meeting will be held as described below.

If you are unable to attend the meeting, you can exercise your voting rights by paper ballot using the Voting Rights Exercise Form enclosed herein or electronically via the Company's website on the exercise of voting rights indicated on the Voting Rights Exercise Form (please refer to the instructions on page 3).

Please review the Reference Documents shown in the following pages and either return the Voting Rights Exercise Form with your vote by postal mail, or vote via the Internet.

- 1. Date and Time**                      10:00 a.m., Thursday, June 29, 2006
  
- 2. Place**                                      Aoyama Diamond Hall 1<sup>st</sup> Floor (Diamond Room)  
6-8, Kita-Aoyama 3-chome, Minato-ku, Tokyo  
(Please refer to the "Location of the Annual General Meeting of Shareholders" at the end of this document)
  
- 3. Agenda of the Meeting:**  
**Matters to be reported:**
  1. Balance Sheet as of March 31, 2006, Statement of Income for the 21<sup>st</sup> Fiscal Term (from April 1, 2005 to March 31, 2006) , Business Report, and reports on purchase of treasury stock resolved by the Board of Directors pursuant to authorization by the Articles of Incorporation
  2. Consolidated Balance Sheet as of March 31, 2006, Consolidated Statement of Income for the 21<sup>st</sup> Fiscal Term (from April 1, 2005 to March 31, 2006) and results of audits by the Accounting Auditors and the Board of Statutory Auditors of the Consolidated Statutory Reports

**Proposals to be resolved:**

- Proposal No.1:** Approval of the Proposal for Appropriation of Retained Earnings for the 21<sup>st</sup> Fiscal Term
- Proposal No.2:** Decrease of Capital Reserve
- Proposal No.3:** Partial Amendments to the Articles of Incorporation
- Proposal No.4:** Election of Twelve Directors
- Proposal No.5:** Election of Two Statutory Auditors
- Proposal No.6:** Election of Accounting Auditor
- Proposal No.7:** Issuance of Stock Acquisition Rights for Implementing a Trust-type Rights Plan

- 4. Notification of amended matters:** Please be notified beforehand that if it becomes necessary to amend any matters related to the contents described in the attached documents to this Notice of the 21<sup>st</sup> Annual General Meeting of Shareholders before the day preceding the Annual General Meeting of Shareholders, it will be presented on the Company's website at: (<http://www.trans-cosmos.co.jp/e/ir/>).

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For those attending, please submit the enclosed Voting Rights Exercise Form at the reception desk on arrival at the meeting.

## Procedures for the Exercise of Voting Rights by Electronic Means

If you prefer to exercise your voting rights via the Internet, please accept the following conditions before exercising your rights.

1. Shareholders exercising their voting rights via the Internet can only do so via the website designated by the Company (shown below). They can also exercise their voting rights online by mobile phone.  
(Website URL for the exercise of voting rights) <http://www.webdk.net>  
**\* If you have a mobile phone with barcode-reading capability, you can exercise your voting rights via the company-designated website by scanning the “QR code” to the right. For further details on the procedure, please refer to the operation manual for your mobile phone.**
2. If you are exercising your voting rights via the Internet, please enter the code and the password for the exercise of voting rights indicated on the Voting Rights Exercise Form attached herein and follow the instructions on the screen to register whether you approve or disapprove of each proposal.
3. Exercise of voting rights via the Internet is accepted until 12:00 midnight of June 28, 2006 (Wednesday). Note, however, that we would like to ask you to exercise your voting rights as soon as possible to ensure that we have sufficient time for tallying the votes.
4. If you exercise your voting rights twice, once by mail and once via the Internet, we will treat your Internet vote as the valid exercise of your voting rights, regardless of the time or date of arrival of your vote.
5. If you exercise your voting rights several times via the Internet, or via both your computer and mobile phone, we will treat the most recent vote as the valid exercise of your voting rights.
6. Connection fees payable to the providers and communication expenses payable to telecommunication carriers (including telephone charges) when accessing the website for the exercise of voting rights will be borne by the shareholders.

## System Environment for the Electronic Exercise of Voting Rights

The following system environment is required for the use of the website to exercise voting rights.

- 1) Access to the Internet
- 2) If you are to exercise voting rights using your personal computer, Microsoft<sup>®</sup> Internet Explorer 5.5 (or above) or Netscape 6.2 (or above) must be installed as your browser. Any PC hardware capable of supporting these browsers will be adequate.
- 3) If you are to exercise voting rights via mobile phone, the device must be capable of 128bitSSL telecommunication (encrypted communication). (For security reasons, the Company website is only configured to support mobile telecommunications (encrypted communication). Consequently, certain devices cannot be used.

(Microsoft<sup>®</sup> is a trademark of U.S. Microsoft Corporation in the U.S. and other countries. Netscape is a trademark of Netscape Communications Corporation in the U.S. and other countries.)

## Inquiries about the Exercise of Voting Rights via the Internet

If you have any questions about the exercise of voting rights via the Internet, please call one of the following numbers.

Transfer Agent	The Sumitomo Trust & Banking Co., Ltd. Stock Transfer Agency Department
Direct Line	(Toll free) 0120-186-417 (accessible 24 hours)

## TSE Platform for the Electronic Exercise of Voting Rights

Starting from the current fiscal term, management trust banks and other nominee shareholders (including standing proxies) who send in applications to use the “Electronic Voting Platform for Institutional Investors” (the “TSE Platform”) managed by ICJ Inc. may use the TSE Platform as an alternative to the conventional method of online voting described above.

## **BUSINESS REPORT**

(from April 1, 2005 to March 31, 2006)

### **1. Business Overview**

#### **(1) Review of Operations of the Group**

In spite of the risk factors such as the rising oil prices and other trends in overseas economies, improved corporate earnings and rising capital investments mainly in the manufacturing industry led to qualitative improvements and expansion in employment, which in turn resulted in a positive growth circle with higher income in the household sector. Accordingly, the Japanese economy, an economy driven by domestic demand, continued to recover during the term under review. Companies, meanwhile, tend to actively outsource services other than their core businesses. The status-quo-type IT services up for contract renewals are now being reviewed to confirm details on service content and prices. Even so, there is still a strong demand for value-added IT services that lead to “speed and expansion of sales,” “cost reduction,” and “enhanced customer satisfaction” for companies. Our company sees this as a growing opportunity to acquire further orders. Further, with the adoption of DSL/wireless LAN/optical fiber, individuals and households are increasingly installing sophisticated IT environments. The rapid prevalence of mobile phones equipped with digital cameras, electronic money, and TV telephones has streamlined and enriched the channels of communication linking companies with consumers.

The information services field of the Company group offers service menus that realize increased sales, reduced costs, efficient marketing for client companies, and enhanced customer satisfaction in digital marketing services, call center/contact center services, support desk services, system developments, design planning services, Chinese offshore development services, and other IT outsourcing demands.

Under these circumstances, the Company managed to continue to rapidly expand its sales in interactive website production businesses based on the direct opinions of consumers, internet advertisement services optimally suited to the needs of client companies, and other digital marketing services continued. Overall sales in digital marketing services reached 15,899 million yen, up 59.5% from the previous term.

Sales continued to expand in the call center/contact center businesses, as the Company acquired more new orders and expands its services. In the area of support desk services, the Company offers in-house strategic systems, employee training, IT asset management, application management services to provide ERP management services for customers, and services to establish, penetrate, and stably manage backbone systems. Sales in these businesses rose.

In the corporate venture capital business, we have newly formed a corporate venture capital business by reshaping the investment business in which we have been engaged so far. We also have modified our accounting method to include net sales and cost of sales as figures for our principal business. (both were accounted for as non-operating income up until the previous consolidated fiscal year). As a result of increases in net sales and operating income accompanying this change in the accounting method, together with a partial sale of shares held exceeding that of the previous term, either net sales or operating income increased significantly.

Under these circumstances, our consolidated net sales grew 15.9% year on year (14,569 million yen) to 106,468 million yen, and consolidated operating income reached 8,001 million yen, up 60.1% (3,005 million yen) compared to the previous term. Consolidated ordinary income decreased 12.4% year on year (944 million yen) to 6,687 million yen as a result of the recognition of 1,248 million yen as investment loss by the equity method. Consolidated net income rose 37.6% (1,821 million yen) compared to the previous term to 6,669 million yen, reflecting a gain on the sale of investment in securities of 3,154 million yen.

The following section summarizes our operating results by segment.

The Company changed its accounting method for listing the sale of investment in securities in April 2005. As a result, this activity is partly classified into the corporate venture capital segment. The figures indicated below are compared with the figures for the previous consolidated fiscal year that are adjusted to correspond with the new classification.

Business in the information services sector, especially in our core field of Marketing Chain Management

services, grew at the same steady rate recorded in the previous term, with ongoing climbs in new orders. As a result, sales grew 13.0% year on year (11,463 million yen) to 99,859 million yen and operating income increased 8.4% year on year (702 million yen) to 9,102 million yen.

Sales in the corporate venture capital business increased by 6.8% (422 million yen) compared with the previous term to 6,609 million yen as a result of a partial sale of securities held exceeding the previous term. Operating income increased 38.6% year on year (1,506 million yen) to 5,405 million yen.

## **(2) Issues to be Addressed**

Both the domestic and foreign demand grew evenly during the fiscal term under review, leading to moderate increases in corporate capital investments, personal consumption, and the Japanese economy overall. On the other hand, if oil prices remain high, however, elements of uncertainty may prevail in the domestic theater.

Client strategies and the environment in which the Company operates are changing. Clients no longer adhere to the “in-sourcing philosophy,” a philosophy which incites companies to possess “all of the functions held by companies in-house in the past” and to have their permanent employees perform all of the services they offer. Instead they are adopting an “outsourcing philosophy,” a philosophy under which they aim to concentrate more on core competencies of business while utilizing more outsourcers and increasing their composition ratios of contract and dispatched employees. This change in the business environment will bring new opportunities for expanded orders for the outsourcers. As this takes place, we will be required to separate the missions of our permanent employees from those of our contract and dispatched employees, and to establish a high-profit structure that can provide high value-added services.

As for the technical environment surrounding the Company, broadband users exceeded 27 million (mostly DSL subscribers) and cellular subscribers exceeded 90 million. The amount of traffic continues to increase and the IT environment of the society is expected to change rapidly in the future. As a result, new demands for outsourcing services are expected to arise. Further, we expect increases in call center and contact center businesses performed in-house at client companies, marketing services using website and mobile functions, system development businesses, application management businesses, and other outsourcing businesses.

Under these circumstances, it will be necessary to expand sales and reduce costs at client companies, promote efficiency in marketing, and continuously improve service menus to enhance customer satisfaction. We believe it will be crucial for our management to develop and provide high value-added services in the areas of digital marketing, including internet advertising, website creation, call center/contact center services, support desk services, system development, and design planning services.

In line with the Company’s principles outlined above, the whole Company will continue to work together to put our corporate philosophy into practice (“Client satisfaction is the true value of our company, and the growth of every employee creates the value that shapes our future”), to strive to raise shareholder value, and to contribute to the progress of our client companies, employees, and society by growing our businesses.

In all our endeavors, we will be grateful for your continuing support and guidance.

## **(3) Status of Fundraising**

We used our own funds for capital investments made during the term under review. We have not acquired significant funds during the term except for borrowing of working capital made by some of our consolidated subsidiaries.

## **(4) Status of Capital Investment**

Major capital investments include the construction of Marketing Chain Management Center Naha newly built in Naha City, Okinawa Prefecture, and new and additional constructions of call center/contact center facilities built to acquire orders for new businesses. As a result, capital investments amounted to 5,204 million yen.

## (5) Business Results and Summary of Assets

### 1) Consolidated Business Results and Summary of Assets

	FY 2003 (18 <sup>th</sup> Fiscal Term)	FY 2004 (19 <sup>th</sup> Fiscal Term)	FY 2005 (20 <sup>th</sup> Fiscal Term)	FY 2006 (21 <sup>st</sup> Fiscal Term)
Net sales (millions of yen)	71,072	77,918	91,898	106,468
Ordinary income (millions of yen)	(9,954)	2,065	7,631	6,687
Net income (millions of yen)	(9,898)	952	4,847	6,669
Net income per share (yen)	(405.75)	39.34	211.33	297.94
Total assets (millions of yen)	64,760	71,136	86,915	88,293
Total Shareholders' equity (millions of yen)	49,549	54,084	57,133	58,365
Shareholders' equity per share (yen)	2,031.03	2,329.80	2,510.99	2,612.93

#### Notes:

1. From the 20<sup>th</sup> fiscal term, the Company has prepared consolidated financial statements provided under Article 19-2 of the former "Law for Special Provisions for the Commercial Code Concerning Audits, etc., of *Kabushiki-Kaisha*."
2. Net income per share is calculated by deducting the average number of treasury stocks in each fiscal term from the average number of shares outstanding in each fiscal term. Net assets per share are calculated by deducting the number of treasury stocks as of end of the term from the number of outstanding shares as of end of the term.
3. 18<sup>th</sup> fiscal term, valuation losses in investments in securities for operating purposes were recognized in the venture capital business area, impacted by the sluggish share prices worldwide. As a result, the Company recorded ordinary losses and net losses.  
19<sup>th</sup> fiscal term, sales grew as Marketing Chain Management services business acquired new business. Further, as a result of improvements made in cost of sales, ordinary income and net income grew.  
20<sup>th</sup> fiscal term, sales grew as a result of growth in digital marketing related services. A partial sale of securities held also spurred an increase in ordinary income.  
The summary of business results for the 21<sup>st</sup> fiscal term (current term) is as indicated under (1) Review of Operations of the Group.

### 2) Non-Consolidated Business Results and Summary of Assets

	FY 2003 (18 <sup>th</sup> Fiscal Term)	FY 2004 (19 <sup>th</sup> Fiscal Term)	FY 2005 (20 <sup>th</sup> Fiscal Term)	FY 2006 (21 <sup>st</sup> Fiscal Term)
Net sales (millions of yen)	57,388	65,360	79,798	95,252
Ordinary income (millions of yen)	2,600	4,347	6,784	8,697
Net income (millions of yen)	(23,280)	3,359	3,126	4,707
Net income per share (yen)	(954.27)	140.56	136.23	210.24
Total assets (millions of yen)	60,685	69,345	83,928	77,253
Total Shareholders' equity (millions of yen)	51,783	57,550	60,341	56,919
Shareholders' equity per share (yen)	2,122.60	2,479.25	2,652.01	2,548.17

#### Notes:

1. Net income per share is calculated by deducting the average number of treasury stocks in each fiscal term from the average number of shares outstanding in each fiscal term. Net assets per share are calculated by deducting the number of treasury stocks as of the end of the term from the number of outstanding shares as of end of the term.
2. 18<sup>th</sup> fiscal term, in an effort to expand operations, the Company proactively made prior investments to increase marketing staff and launch new services. As a result, ordinary income decreased significantly. As for the net income, the Company removed all causes for concern which may give rise to losses in the future in relation to securities, including shares of subsidiaries and investment in securities. As a result of this, significant net losses were recognized in the term under review.  
19<sup>th</sup> fiscal term, sales increased as we acquired new businesses in call center/contact center and digital-marketing-related services. As a result of improvements in cost reduction measures, both operating income and net income increased.  
20<sup>th</sup> fiscal term, sales increased due to growth in digital-marketing-related services. As a result of a partial sale of shares held, ordinary income increased as well.  
21<sup>st</sup> fiscal term (fiscal term under review), sales continued to expand as a result of acquisition of new orders and expansion of business in call center/contact center and digital marketing services.  
In the corporate venture capital business, we newly formed a corporate venture capital business by reshaping the investment business in which the Company has been engaged to date. In addition, we have changed our accounting method to include the amount of net sales and the cost of sales as figures for the principal business. As a result of the increases in net sales accompanying this change in our accounting method, together with a partial sale of shares held exceeding that of the previous term, net sales and operating income both increased.

## 2. Outline of the Group and the Company (As of March 31, 2006)

### (1) Principal Business of the Group

The Company Group mainly engages in Marketing Chain Management Services, Development Services, Support Desk Services and Business Development and Investment Operations.

### (2) Principal Business Offices of the Group

#### 1) The Company

Offices	Location
Head Office of the Company	25-18, Shibuya 3-chome, Shibuya-ku, Tokyo
Business Offices etc.	Osaka, Sapporo, Sendai, Nagoya, Wakayama, Fukuoka
Call Centers/Contact Centers	Tokyo, Osaka, Sapporo, Wakayama, Miyazaki, Okinawa
Kainan Sogo Technology Center	Wakayama
Overseas Offices	U.S.A. (New York, Seattle, Silicon Valley, Los Angeles), China (Tianjin, Shanghai), Korea (Seoul)

### (3) Shares

- 1) Total number of shares authorized to be issued 90,088,176 shares
- 2) Total number of shares issued 24,397,023 shares  
(number of shares constituting one unit: 100 shares)
- 3) Number of shareholders 20,901  
(of which 20,806 shareholders hold unit shares)

### (4) Major shareholders

Name	Investment in the Company by the Shareholders		Investment in the Shareholder by the Company	
	Number of shares (thousands of shares)	Equity participation (%)	Number of shares (thousands of shares)	Equity participation (%)
Koki Okuda	3,739	15.3	—	—
Masataka Okuda	2,955	12.1	—	—
The Master Trust Bank of Japan, Ltd. (Account in Trust)	1,095	4.5	—	—
Mihoko Hirai	1,092	4.5	—	—
Japan Trustee Services Bank, Ltd. (Account in Trust)	1,082	4.4	—	—
Okuda Ikueikai, Foundation	876	3.6	—	—
B.B.H. Lux Fidelity Funds Japan Fund	576	2.4	—	—
The Chase Manhattan Bank, N.A. , London	418	1.7	—	—
Japan Securities Finance Co., Ltd.	357	1.5	—	—
The BANK of NEW YORK Non-treaty JASDEC account	246	1.0	—	—

Notes:

1. Figures less than one thousand are rounded down to the nearest thousand.
2. Equity participation is rounded off to the nearest second decimal.
3. The Company holds 2,060 thousand shares of treasury stock, which are excluded from the major shareholders listed above.

**(5) Acquisition, Disposition etc, and Holding of Treasury Stocks**

## 1) Shares acquired

Common stock	1,582,241 shares
Total cost of acquisition	10,120,937 thousand yen

Portion of stock acquired by the resolution of the Board of Directors

## Reason for acquisition

To implement the Company's capital strategy that can respond flexibly

Common stock	1,580,400 shares
Total cost of acquisition	10,105,761 thousand yen

## 2) Treasury stock dispositions and transfers

Common stock	1,166,394 shares
Total price of disposition	4,489,374 thousand yen

## 3) Shares listed as expired

Not applicable

## 4) Shares held as of March 31, 2006

Common stock	2,060,902 shares
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**(6) Stock acquisition rights**

## 1) Stock acquisition rights issued by the Company

Date of resolution to issue the stock acquisition rights	June 27, 2002	June 27, 2003	June 2, 2004 (Note 2)	June 29, 2004	June 29, 2005
Number of the stock acquisition rights	1,061 units	First: 1,136 units Second: 10 units	5,171 units	1,334 units	1,478 units
Class of shares subject to the stock acquisition rights	Common stock	Common stock	Common stock	Common stock	Common stock
Number of shares subject to the stock acquisition rights	106,100 shares	First: 113,600 shares Second: 1,000 shares	1,172,579 shares	133,400 shares	147,800 shares
Issue price of the stock acquisition rights	No charge	No charge	No charge	No charge	No charge

## Notes:

1. Stock acquisition rights in accordance with Article 280-19 of the former Commercial Code is listed under Notes to the Non-Consolidated Balance Sheets "6. Stock acquisition rights (*shinkabu yoyakuken*)".
2. Stock acquisition rights for euro yen denominated convertible bond type debenture with stock acquisition rights (total issue price 10,000 million yen)

2) Stock acquisition rights issued to those other than shareholders during the fiscal term under advantageous conditions.

Description of stock acquisition rights

Date of resolution to issue the stock acquisition rights	June 29, 2005
Number of the stock acquisition rights	1,478 units
Class of shares subject to the stock acquisition rights	Common stock
Number of shares subject to the stock acquisition rights	147,800 shares
Amount to be paid at the time of exercise of the rights	4,540 yen per share
Exercise period of the stock acquisition rights	From July 1, 2007 to June 30, 2011
Issue price of the stock acquisition rights	No charge
Conditions for exercising the stock acquisition rights	1) Each right cannot be partly exercised. 2) If any person to whom the rights were allotted loses the position of director, auditor, employee or adviser of the Company, subsidiary of the Company or any of the affiliates, it will give rise to an event for the return of the rights, and stock acquisition rights will be returned to the Company. If the person to whom the stock acquisition rights were allotted dies, inheritance of these rights will not take place. 3) Other conditions shall be as provided in "Agreement on allotment of stock acquisition rights".
Conditions for cancellation of the stock acquisition rights	1) If a proposal to approve merger agreement under which the Company will become an expiring company, or if a proposal to approve share exchange agreement under which the Company will become a wholly owned subsidiary, or a proposal for the transfer of shares is approved by the Company's Annual General Meeting of Shareholders, the Company may cancel the stock acquisition rights at free of charge. 2) If the Company acquires unexercised stock acquisition rights, it is permitted to cancel them at any time, without charge.
Content of the advantageous conditions	Stock acquisition rights will be issued to Directors, Statutory Auditors, employees and advisers of the Company and subsidiaries of the Company at free of charge.

The names of the holders (or names of companies) other than *tokuteishiyonin-to* (employees, directors and statutory auditors of the Company and subsidiaries) to whom stock acquisition rights were allotted and the number of rights allotted.

Ten Directors of the Company (total of 215 stock acquisition rights)

Name	Number of stock acquisition rights allotted	Name	Number of stock acquisition rights allotted	Name	Number of stock acquisition rights allotted
Koki Okuda	26 units	Osamu Goto	23 units	Masakatsu Moriyama	17 units
Koji Funatsu	26 units	Shojiro Takashima	20 units	Taiki Yoshioka	17 units
Masataka Okuda	26 units	Yasuki Matsumoto	20 units		
Toshikazu Tanizawa	23 units	Koichi Iwami	17 units		

One Statutory Auditor of the Company (total of 4 stock acquisition rights)

Name	Number of stock acquisition rights allotted
Yoshiharu Uenoyama	4 units

One Adviser of the Company (total of 6 stock acquisition rights)

Name	Number of stock acquisition rights allotted
Hiroharu Yoshimine	6 units

The names of the *tokuteishiyonin-to* (employees, directors and statutory auditors of the Company and subsidiaries) to whom stock acquisition rights were allotted and the number of rights allotted.

Employees of the Company (top 12)

Name	Number of stock acquisition rights allotted	Name	Number of stock acquisition rights allotted
Masaya Nishimura	14 units	Koji Okamoto	11 units
Hiroshi Kaizuka	14 units	Akira Miyake	11 units
Masayuki Tada	14 units	Kazuhiko Yamaki	11 units
Masaaki Muta	14 units	Kazuhiro Umemura	11 units
Tsutomu Kawase	11 units	Kazuhiro Shimizu	11 units
Tsunetaka Miyaryo	11 units	Nobuhiko Fujimoto	11 units

Directors and Statutory Auditors of affiliates to whom were allotted more than a minimum number of rights allotted to the Directors and Statutory Auditors of the Company.

Name	Number of stock acquisition rights allotted
Hideaki Ishioka	4 units

Stock acquisition rights issued to *tokuteishiyonin-to* (employees, directors and statutory auditors of the Company and subsidiaries)

	Employees of the Company	Directors of affiliates of the Company	Employees of affiliates of the Company
Number of stock acquisition rights	1,241 units	4 units	8 units
Class of shares subject to the rights	Common stock	Common stock	Common stock
Number of shares subject to the rights	124,100 shares	400 shares	800 shares
Total number of employees to whom rights were granted	389	1	2

**(7) Employees of the consolidated Group**

1) Employees of the consolidated Group

Business Segment	Number of employees	(Number of temporary employees)
Information Service Business	8,479	(9,904)
Corporate Venture Capital Business	73	-
All companies (common)	249	-
Total	8,801	(9,904)

2) Employees of the Company

	Men	Women	Total or average
Number of employees	4,318	2,764	7,082
Year-on-year change	+ 555	+ 148	+ 703
Average age	30 years, 1 month	27 years, 7 months	29 years, 2 months
Average length of service	4 years, 5 months	4 years, 8 months	4 years, 6 months

Note: The above numbers exclude temporary employees. Average number of temporary employees, etc. employed by the Company during the fiscal term under review was 5,705.

## (8) Status of Business Combinations

### 1) Major subsidiaries

Name	Common stock	Percentage of equity participation	Principal business
Transcosmos Investments & Business Development, Inc.	US\$351,531 thousand	100.0%	Investment business for U.S. venture companies and U.S. holding company
J-Stream Inc.	2,169 million yen	44.8% (44.8%)	Data distribution service business using the Internet
DoubleClick Japan Inc.	1,866 million yen	61.4% (61.4%)	Solution services business in Internet advertising
APPLIDE TECHNOLOGY CO., LYD.	1,205 million yen	60.2% (17.2%)	System integration business for GIS/manufacturers
transcosmos Information Creative (China) Co., Ltd.	81,091 thousand yuan	100.0 (100%)	Information service business in China

Note: Figures within parentheses under the “Percentage of equity participation” column are the percentage of indirect ownership by the subsidiaries of the Company.

### 2) Changes and results of business combinations

There was an increase of 15 and a decrease of 1 consolidated subsidiaries of the Company during the term under review. CIC Korea, Inc., and Ask.jp Co., Ltd. are the significant subsidiaries and affiliates included in the Company group and PointCast Japan, LLC. is the subsidiary excluded from the group.

### 3) Results of business combinations

The details are as described under “(1) Review of Operations of the Group.”

With the above major subsidiaries and affiliates included, the Company has 49 consolidated subsidiaries and 21 equity-method applied companies.

## (9) Major Creditors

Creditors	Loan Outstanding (in millions of yen)	Number of the Company’s shares held by creditors	
		Number of shares (thousand of shares)	Equity participation (%)
Sumitomo Mitsui Banking Corporation	1,000	—	—
The Bank of Tokyo-Mitsubishi UFJ, Ltd.	1,000	—	—

## (10) Directors and Statutory Auditors

Position	Name	Assignment or principal responsibilities
Founder & Group CEO	Koki Okuda	
Chairman & CEO	Koji Funatsu	
Vice Chairman	Osamu Goto	
Vice Chairman	Toshikazu Tanizawa	
President & COO	Masataka Okuda	
Executive Vice President	Shojiro Takashima	Chief of Marketing Division
Executive Vice President	Yasuki Matsumoto	In charge of Group Strategy & President of Transcosmos Investments & Business Development, Inc.
Senior Managing Director	Koichi Iwami	Chief of Services Division, Marketing Chain Management Services
Senior Managing Director	Masakatsu Moriyama	CIO & in charge of Personnel Planning & General Manager of BtoC Business Strategy
Outside Director	Taiki Yoshioka	Chairman of the Board, CIJ Solutions, Ltd.
Full-time Statutory Auditor	Yoshiharu Uenoyama	
Statutory Auditor	Masahiko Tanimura	
Statutory Auditor	Teruyuki Hiiro	
Statutory Auditor	Tsutomu Yamamoto	

Notes:

1. Statutory Auditors, Masahiko Tanimura and Teruyuki Hiroyama, are Outside Statutory Auditors as stipulated in Article 18, Paragraph 1 of the former "Law for Special Provisions for the Commercial Code Concerning Audits, etc., of *Kabushiki-Kaisha*."
2. The changes of Directors and Statutory Auditors during the term under review are as follows.
  - (1) Koichi Iwami, Masakatsu Moriyama and Taiki Yoshioka were newly elected and appointed as directors at the 20<sup>th</sup> Annual General Meeting of Shareholders held on June 29, 2005.
  - (2) Shinichi Misawa, Senior Managing Director, retired as of June 29, 2005.
  - (3) Tsutomu Yamamoto was newly elected and appointed as Statutory Auditor at the 20<sup>th</sup> Annual General Meeting of Shareholders held on June 29, 2005.

**(11) Remuneration paid to Accounting Auditor**

	Amount paid
1) Total remuneration and other amounts to be paid by the Company and its subsidiaries	98,700 thousand yen
2) Out of the amount shown in above 1), total amount of remuneration to be paid for audit certification services stipulated in Article 2, Paragraph 1 of the Certified Public Accountant Law	94,000 thousand yen
3) Out of the amount shown in above 2), remuneration to be paid by the Company as Accounting Auditor by the Company	52,000 thousand yen

Note: The Audit agreement between the Company and the Independent Accounting Auditor does not separately stipulate audit remunerations based on the Audit for the former "Law for Special Provisions of the Commercial Code Concerning Audits, etc., of *Kabushiki-Kaisha*" or the Securities Exchange Law. Accordingly, the amount described in 3) does not separate these two types of payment.

**(11) Important Subsequent Events**

The Company resolved to carry out stock split as follows at the Board of Directors Meeting held on February 14, 2006.

- (1) As of April 1, 2006, the Company will carry out stock splits at ratio of two-for-one for shares held by shareholders indicated or recorded in the latest shareholder register and register of beneficial shareholders of March 31, 2006.
- (2) Shares increased by the stock split Common stock: 24,397,023 shares
- (3) Initial date of computation of dividends: April 1, 2006

Figures for all per share information assuming that stock split was carried out at the beginning of the previous term are as follows:

FY2005 (from April 1, 2004, to March 31, 2005 )	FY2006 (from April 1, 2005, to March 31, 2006 )
Net assets per share: <span style="float: right;">1,255.50 yen</span>	Net assets per share: <span style="float: right;">1,306.46 yen</span>
Net income per share: <span style="float: right;">105.66 yen</span>	Net income per share: <span style="float: right;">148.97 yen</span>
Net income per share after adjustment for residual securities: <span style="float: right;">97.38 yen</span>	Net income per share after adjustment for residual securities: <span style="float: right;">135.05 yen</span>

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Note: Digits less than those shown in this Business Report are rounded down.

**Non-Consolidated Balance Sheet**

(As of March 31, 2006)

(Thousands of yen)

Assets		Liabilities	
Account item	Amount	Account item	Amount
<b>Current assets</b>	<b>34,039,012</b>	<b>Current liabilities</b>	<b>15,130,077</b>
Cash and deposits	7,955,640	Accounts payable —trade	3,836,345
Notes receivable	25,087	Current portion of long-term bank loans	2,000,000
Accounts receivable - trade	12,875,303	Accounts payable	2,382,055
Investments in securities for operating purposes	11,529,042	Income taxes payable	210,694
Merchandise	11,055	Accrued consumption tax	651,990
Work and software in progress	134,624	Accrued expenses	2,490,358
Supplies	5,172	Advances received	221,335
Advances	91,308	Deposits received	596,523
Prepaid expenses	525,060	Deferred tax liabilities	248,337
Short-term loans	300,000	Accrued bonuses for employees	2,325,545
Other	620,640	Other	166,891
Allowance for doubtful accounts	(33,923)	<b>Fixed liabilities</b>	<b>5,204,509</b>
<b>Fixed assets</b>	<b>43,214,723</b>	Bonds	5,171,000
<b>Tangible fixed assets</b>	<b>2,939,363</b>	Security deposits received	11,200
Buildings	890,780	Other	22,309
Structures	279,619		
Machinery and transportation equipment	2,481		
Tools, furniture and fixtures	1,204,668		
Land	564,092		
<b>Intangible fixed assets</b>	<b>852,463</b>	<b>Total liabilities</b>	<b>20,334,586</b>
Software	772,371		
Telephone rights	77,610	<b>Common stock</b>	<b>29,065,968</b>
Utility rights		<b>Capital surplus</b>	<b>23,217,772</b>
<b>Investments and other assets</b>	<b>39,422,896</b>	Capital reserve	15,069,145
Investments in securities	1,391,127	Other capital reserve	8,148,626
Investment in stocks of unconsolidated subsidiaries and affiliates	26,427,645	Gain from stock retirement	7,597,056
Investments in unconsolidated subsidiaries and affiliates	145,757	Gain on sales of treasury stock	551,570
Long-term loans to unconsolidated subsidiaries and affiliates	10,790,000	<b>Retained earnings</b>	<b>9,570,420</b>
Deferred tax assets	531,294	Unappropriated retained earnings	9,570,420
Security deposits	2,221,793	<b>Net unrealized gain on securities</b>	<b>5,355,716</b>
Prepaid pension costs	434,501	<b>Treasury stock</b>	<b>(10,290,728)</b>
Other	947,478		
Allowance for doubtful accounts	(3,466,701)	<b>Total shareholders' equity</b>	<b>56,919,149</b>
<b>Total assets</b>	<b>77,253,735</b>	<b>Total liabilities and shareholders' equity</b>	<b>77,253,735</b>

Note: Figures less than one thousand are rounded down to the nearest thousand.

**Non-Consolidated Statement of Income**

(from April 1, 2005, to March 31, 2006)

(Thousands of yen)

Account item	Amount	
<b><u>Ordinary Income or Loss</u></b>		
<b>Operating revenues and expenses:</b>		
<b>Operating revenue:</b>		
Net sales		95,252,274
<b>Operating expenses:</b>		
Cost of sales	70,804,047	
Selling, general and administrative expenses	15,754,963	86,559,010
<b>Operating income</b>		<b>8,693,263</b>
<b>Non-operating income and expenses:</b>		
<b>Non-operating income:</b>		
Interest income	29,610	
Dividend income	98,767	
Other	116,750	245,127
<b>Non-operating expenses:</b>		
Interest expenses	26,207	
Foreign exchange losses	62,377	
Loss on disposal of inventories	25,406	
Miscellaneous loss	126,971	240,963
<b>Ordinary income</b>		<b>8,697,428</b>
<b><u>Extraordinary Gains and Losses</u></b>		
<b>Extraordinary gains:</b>		
Gain on sales of investment securities	148,654	
Gain on sales of investments in subsidiaries and affiliates	795,859	
Affiliate's liquidation profit	1,088	
Reversal of allowance for doubtful accounts	369,000	
Other	228	1,314,830
<b>Extraordinary losses:</b>		
Loss on disposal of fixed assets	136,561	
Impairment loss on fixed assets	870,403	
Loss on devaluation of investments in subsidiaries and affiliates	726,719	
Loss on write-down of golf membership	11,030	
Other	70,429	1,815,144
<b>Income before income taxes</b>		<b>8,197,115</b>
Income taxes—current	36,662	
Income taxes—deferred	3,452,994	3,489,657
<b>Net income</b>		<b>4,707,458</b>
Retained earnings brought forward from the previous fiscal term		4,862,962
<b>Unappropriated retained earnings</b>		<b>9,570,420</b>

Note: Figures less than one thousand are rounded down to the nearest thousand.

**Significant Accounting Policies**

1. Standards and methods of valuation of securities

Shares of majority-owned subsidiaries and affiliates ..... Stated at cost using the moving-average method  
 Other available-for-sale securities (including investments in securities for operating purposes)

Securities with market value ..... Market value method based on the market price as of the account closing date. (Differences in valuation are included directly in shareholders' equity and costs of securities sold are calculated using the moving-average method.)

Securities without market value ..... Stated at cost using the moving-average method. As for investments to limited liability partnership for investment and other similar limited partnership, total percentage share of profit and expenses are calculated as net sales and sales cost, respectively, based on the most recent statement of accounts available according to the closing date of accounts applicable to limited partnership agreements.

2. Derivative transactions

Market value method

3. Standards and methods of valuation of inventories

Finished goods ..... Stated at cost using the gross average method

Work in process ..... Stated at specific cost method

Supplies ..... Stated at cost using the last-purchase-price method

4. Depreciation methods for fixed assets

Tangible fixed assets ..... Declining-balance method  
 However, buildings (excluding building fixtures) acquired on or after April 1, 1998 are depreciated using the straight-line method. As for a part of call-center facilities (furniture and fixtures), straight-line method is used for the economic life (approximately 50% shorter than the legal useful life).

Intangible assets ..... Straight-line method  
 As for software for in-house use, the straight-line method is used with a useful life of 5 years.

5. Standards of accounting for allowances and reserves

Allowance for doubtful accounts ..... Estimated uncollectible amounts are calculated using historical data for trade receivables and individually considering the probability of collection for doubtful receivables as of end of fiscal term.

Reserve for bonuses ..... Reserve for bonuses for employees are calculated based on the estimates of bonus obligations for the current fiscal term.

Reserve for retirement benefits .....Reserve for retirement benefits are calculated based on the estimates of retirement benefit obligations and pension assets as of the end of the fiscal term.  
 Prior service cost is amortized in the year in which the gain or loss is recognized primarily by the straight-line method over various periods (5years) which is not more than the average remaining service period of employees.  
 Unrecognized actuarial differences are amortized in the year following the year in which the gain or loss is recognized primarily by the straight-line method over various periods (5 years) which is not more than the average remaining service period of employees.

6. Accounting method for leases

Finance leases other than those for which the ownership of the leased property are deemed to be transferred to the lessee are accounted for primarily as ordinary rental transactions.

7. Hedge accounting

(1) Hedge accounting: .....Deferred accounting treatment is applied.  
 Special accounting rules are applied to interest swap transactions which conform to requirements of special accounting rules.

(2) Means for edging and hedged items: .....Means for hedging: Interest swap transactions  
 Hedged items: Borrowings

(3) Hedging policy: .....Hedge transactions are entered into with the purpose of avoiding risks of fluctuations in interest rates in accordance with the Company's internal rules.

8. Accounting for consumption taxes

Consumption tax and local consumption tax are accounted for by the tax exclusion method.

## Changes in accounting policy

1. In the past we positioned the evaluation, development, and promotion of know-how related to internet technology ventures as sources of competitiveness. On April 2005, however, management resolved to clearly position investments in those ventures as a core business within the organization, and to strengthen the workforce as a corporate venture business, in order to pursue profits and benefit from the synergies with information service business. As a result of this resolution, investments in securities of ¥13,814,411 thousand were reclassified as investments in securities for operating purposes (current assets), and deferred tax liabilities (non-current liabilities) of ¥4,941,452 thousand were reclassified as deferred tax liabilities (current liabilities), at the beginning of the fiscal year. As for the accounting method for sales of securities in our venture capital business, we previously classified the net amount of gain on sales of securities as non-operating income. From the current fiscal year, however, we have changed our accounting policy by classifying the securities sold as net sales and classifying the book value of securities sold as cost of sales. As a result, net sales increased to ¥6,149,077 thousand, cost of sales increased to ¥225,357 thousand, gross profit on sales increased to ¥5,923,720 thousand, and operating income increased to ¥5,923,720 thousand, while commission paid (selling, general and administrative expenses) decreased to ¥10,959 thousand, gain on sales of investments in securities (non-operating income) decreased to ¥5,915,153 thousand, dividends income (non-operating income) decreased to ¥24,602 thousand, and losses from investments by limited liability partnership (non-operating expenses) decreased to ¥6,218 thousand, compared to the results earned using the traditional methods.
2. From the current business year, the Company adopted the accounting standard for impairment of fixed assets "Opinion Concerning Establishment of Accounting Standard for Impairment of Fixed Assets" (Business Accounting Council, August 9, 2002) and "Guideline on Accounting Standards for Impairment of Fixed Assets" (Application Guideline of Business Accounting Standard No.6, October 31, 2003). As a result, impairment loss on fixed assets, ¥870,403 thousand, is classified as extraordinary losses, and income before income taxes is decreased by the same amount.  
Cumulative impairment losses are deducted directly from the amount for each asset.

## Notes to the Non-Consolidated Balance Sheet

1. Short-term monetary receivables from subsidiaries and affiliates ¥480,916 thousand  
Short-term monetary payables to subsidiaries and affiliates ¥919,237 thousand  
Long-term monetary receivables from subsidiaries and affiliates ¥10,933,790 thousand
2. Accumulated depreciation of tangible fixed assets ¥3,125,952 thousand
3. Guarantee liability ¥853,650 thousand
4. Fixed assets listed on the balance sheet, various computers and other business equipments are used under lease agreements.
5. A deposit of ¥1,000 thousand was pledged as collateral.
6. Stock acquisition rights (*shinkabu yoyakuken*)  
Stock acquisition rights in accordance with Article 280-19 of the former Commercial Code.

(As of March 31, 2006)

Date of resolution at the Annual General Meeting of Shareholders	June 28, 2001
Grant date of stock acquisition rights	August 1, 2001
Class of shares	Common stock
Shares to be issued	74,500 shares
Issue price	¥4,165 per share

7. Net assets provided under Article 124, Paragraph 3 of the Enforcement Regulations of the Commercial Code.  
¥5,355,716 thousand

## Notes to the Non-Consolidated Statement of Income

1. Transactions with subsidiaries and affiliates
 

Operating income	¥1,456,658 thousand
Operating expenses	¥7,010,897 thousand
Transactions other than operating transactions	¥277,772 thousand
2. Net income per share: ¥210.24

### 3. Impairment loss on fixed assets

The Company recognized impairment losses for the following assets.

Use	Category	Location
Training center	Land and buildings	Ito-shi, Shizuoka Prefecture
Welfare provisions	Land and buildings	Ito-shi, Shizuoka Prefecture
Research facilities	Land and buildings	Kainan-shi, Wakayama Prefecture

We group our assets by management accounting categories. Though no signs of impairment were noted in any division headquarter (our unit of accounting), the operational environment at the above training centers, welfare provisions, and research facilities has been aggravated and land prices have declined. Consequently, book values are reduced up to redeemable price and the decreased amount is listed as impairment loss on fixed assets under extraordinary losses (¥870,403 thousand).

The breakdown is as follows: Training Center ¥394,193 thousand (land ¥309,337 thousand, building ¥84,856 thousand), Welfare provisions ¥170,792 thousand (land ¥118,743 thousand, building ¥52,049 thousand), Research facilities ¥305,417 thousand (land ¥194,812 thousand, building ¥110,605 thousand).

A greater redeemable amount, including the headquarters building, is measured by the net sales price, and land and buildings are assessed by real estate appraisal values.

**Proposal for Appropriation of Retained Earnings**

(Thousands of yen)

Account item	Amount	
<b>(1) Appropriation of unappropriated retained earnings</b> <b>Unappropriated retained earnings at the end of the fiscal term</b>	<b>9,570,420,357</b>	
To be appropriated as follows:		
Cash dividends (¥70 per share)	1,563,528,470	
Bonuses to directors	3,000,000	1,566,528,470
Retained earnings carried forward	<b>8,003,891,887</b>	
<b>(2) Appropriation of other capital surplus</b>		
<b>Other capital surplus</b>	<b>8,148,626,994</b>	
Gain from stock retirement	7,597,056,361	
Gain on sales of treasury stock	551,570,633	
To be appropriated as follows:		
<b>Other capital surplus carried forward</b>	<b>8,148,626,994</b>	

## REPORT OF INDEPENDENT AUDITORS

May 18, 2006

To the Board of Directors of transcosmos inc.

### ChuoAoyama PricewaterhouseCoopers

Designated and Engagement Partner  
Certified Public Accountant  
Masuzo Kawada

Designated and Engagement Partner  
Certified Public Accountant  
Nobuhiro Nii

Pursuant to Article 2, Paragraph 1 of the former "Law for Special Provisions for the Commercial Code Concerning Audits, etc., of *Kabushiki-Kaisha*," we have audited the statutory reports, that is, the balance sheet, statement of income, the business report (accounting matters only), the proposal for appropriation of retained earnings, the supplementary schedules (accounting matters only) of the Company applicable to the 21<sup>st</sup> fiscal year from April 1, 2005 to March 31, 2006. The accounting matters that we have audited in the business report and the supplementary schedules were derived from the accounting books and records. These statutory reports and the supplementary schedules are the responsibility of the Company's management. Our responsibility is to independently express an opinion on our audit.

We conducted our audit in accordance with auditing standards generally accepted in Japan. Those auditing standards require that we plan and perform the audit to obtain reasonable assurance as to whether the statutory reports and the supplementary schedules are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the statutory reports and the supplementary schedules, assessing the accounting policies used and significant estimates made by management, as well as evaluating the overall presentation of the statutory reports. We believe that our audit provides a reasonable basis for our opinion. Our audit includes audit procedures for subsidiaries as we considered necessary.

As a result of our audit, it is our opinion that:

(1) The statutory reports and statements of income properly present the Company's financial position and the results of operations of the group in accordance with the related laws, regulations and the Articles of Incorporation of the Company.

(2) Our opinion regarding the changes in the accounting method is as follows:

1) As described in the changes in the accounting policy, the Company adopted "accounting standard for impairment of fixed assets" ("Opinion concerning establishment of accounting standard for impairment of fixed assets" (Business Accounting Deliberation Council (BADC) August 9, 2002)) and "application guidelines for accounting standards for impairment of fixed assets" (accounting standard application guidelines No.6 October 31, 2003) from the fiscal year. This change is in accordance with the application of the new accounting principles and we believe this to be a reasonable measure.

2) As described in the changes in the accounting policy, the Company changed its accounting policy related to securities in the venture capital business. Through this change, the Company identified the structure of the corporate venture capital business as that of the principal business in terms of investments from the Company from April 2005. By realizing synergy with the information service business, the Company strengthened the structure to pursue profit as a corporate venture capital business. We believe this change to be a reasonable measure.

(3) The business report (accounting matters only) properly present the position of the Company's affairs in accordance with the related laws, regulations and the Articles of Incorporation of the Company.

(4) The proposal for appropriation of retained earnings is presented in accordance with the related laws, regulations and the Articles of Incorporation of the Company.

(5) As to the supplementary schedules (accounting matters only), there is nothing to be pointed out from the standpoint of the provisions of the former Commercial Code.

#### Subsequent Events

Subsequent events related to stock splits are described in the business report.

Our firm and engagement partners have no interest in the Company that must be disclosed pursuant to the provisions of the Certified Public Accountants Law.

The above represents a translation, for convenience only, of the original report issued in the Japanese language.

## **AUDIT REPORT OF STATUTORY AUDITORS**

The Board of Statutory Auditors, following review and deliberation on the reports prepared by each Statutory Auditor concerning the execution of duties of directors for the 21<sup>st</sup> fiscal term from April 1, 2005 to March 31, 2006, prepared this Audit Report and hereby submit it as follows:

### 1. Summary of Auditing Methods

In accordance with the auditing policies and allocation of duties determined by the Board of Statutory Auditors, each Statutory Auditor attended the meetings of the board of directors' and other meetings of importance, received reports from directors about their execution of duties, reviewed important documents that approve material matters, inspected business and financial conditions at the head office and other major offices, and requested business reports from subsidiaries on operations of their business as necessary. Each Statutory Auditor received reports and explanations from Accounting Auditors and added reviews on the statutory reports and the supplementary schedules.

In addition to the above auditing procedures, each Statutory Auditor, when necessary, requested reports from directors and made detailed investigations to examine the transactions in the following categories: transactions by directors in competition with the Company, transactions involving a conflict of interest between directors and the Company; dealings in which the Company provided benefits without compensation; unusual dealings between the Company and subsidiaries or shareholders; and acquisition or disposal of the Company's own shares.

### 2. Results of the Audit

(1) The auditing methods and results conducted by the Accounting Auditor, ChuoAoyama PricewaterhouseCoopers are fair and reasonable.

(2) The business report presents fairly the Company's condition in conformity with applicable laws, regulations and the Articles of Incorporation of the Company.

(3) With respect to the proposal concerning appropriation of retained earnings, nothing unusual is to be pointed out in light of the financial condition of the Company and other circumstances.

(4) The supplementary schedules fairly present the matters that are required to be included, and nothing unusual is to be pointed out.

(5) With respect to the execution of their duties by directors, we have found no misconduct or material matters in violation of the laws, regulations or the Articles of Incorporation.

In addition, we have found no violations of the duties of directors regarding: transactions in competition with the Company, transactions involving conflict of interests between directors and the Company, dealings in which the Company provided benefits without compensation, unusual dealings between the Company and subsidiaries or shareholders, or acquisition or disposal of the Company's own shares.

May 19, 2006

Board of Statutory Auditors of transcosmos inc.

Full-time Statutory Auditor	Yoshiharu Uenoyama
Statutory Auditor	Masahiko Tanimura
Statutory Auditor	Teruyuki Hiiro
Statutory Auditor	Tsutomu Yamamoto

Note: Statutory Auditors, Masahiko Tanimura and Teruyuki Hiiro, are Outside Statutory Auditors as stipulated in Article 18, Paragraph 1 of the former "Law for Special Provisions of the Commercial Code Concerning Audits, etc., of *Kabushiki-Kaisha*."

**Consolidated Balance Sheet**

(As of March 31, 2006)

(Thousands of yen)

Assets		Liabilities	
Account item	Amount	Account item	Amount
<b>Current assets</b>	<b>57,882,775</b>	<b>Current liabilities</b>	<b>18,963,343</b>
Cash and deposits	21,802,649	Accounts payable —trade	3,984,688
Notes and accounts receivable —trade	16,927,704	Short-term bank loans	14,570
Investments in securities for operating purposes	15,955,658	Current portion of long-term bank loans	2,000,000
Marketable securities	325,264	Accounts payable	4,088,178
Inventories	623,521	Income taxes payable	292,931
Deferred tax assets	55,645	Accrued consumption tax	828,194
Other	2,468,915	Deferred tax liabilities	553,105
Allowance for doubtful accounts	(276,582)	Advances received	404,454
		Accrued bonuses for employees	2,473,711
		Other	4,323,509
<b>Fixed assets</b>	<b>30,410,614</b>	<b>Fixed liabilities</b>	<b>6,362,075</b>
<b>Tangible fixed assets</b>	<b>8,398,228</b>	Bonds	5,171,000
Buildings and structures	3,785,950	Long-term borrowings	29,167
Vehicles and transportation equipment	14,385	Deferred tax liabilities	965,212
Tools, furniture and fixtures	3,277,625	Reserve for retirement benefits	132,542
Land	1,134,673	Security deposits received	11,200
Other	185,592	Other	52,953
<b>Intangible fixed assets</b>	<b>2,355,373</b>	<b>Total liabilities</b>	<b>25,325,419</b>
Consolidated adjustment account	216,720		
Other	2,138,653	<b>Minority interests</b>	<b>4,602,253</b>
<b>Investments and other assets</b>	<b>19,657,012</b>		
Investments in securities	5,243,217	<b>Common stock</b>	<b>29,065,968</b>
Investments in unconsolidated subsidiaries and affiliates	6,440,147	<b>Capital surplus</b>	<b>23,217,772</b>
Investments	23,800	<b>Retained earnings</b>	<b>2,768,157</b>
Investments in equity of subsidiaries and affiliates	44,835	<b>Unrealized gain on securities</b>	<b>8,632,917</b>
Long-term loans receivable	1,075,776	<b>Foreign currency translation adjustment</b>	<b>4,971,630</b>
Deferred tax assets	2,821,936	<b>Treasury stock</b>	<b>(10,290,728)</b>
Security deposits	2,978,337		
Prepaid pension costs	444,413	<b>Total shareholders' equity</b>	<b>58,365,717</b>
Other	940,190		
Allowance for doubtful accounts	(355,642)	<b>Total liabilities, minority interests and shareholders' equity</b>	<b>88,293,389</b>
<b>Total assets</b>	<b>88,293,389</b>		

Note: Figures less than one million are rounded down to the nearest million.

**Consolidated Statement of Income**

(from April 1, 2005, to March 31, 2006)

(Thousands of yen)

Account item	Amount	
<b>Ordinary Income or Loss</b>		
<b>Operating revenues and expenses:</b>		
<b>Operating revenue:</b>		
Net sales		106,468,073
<b>Operating expenses:</b>		
Cost of sales	78,207,355	
Selling, general and administrative expenses	20,259,044	98,466,400
<b>Operating income</b>		<b>8,001,673</b>
<b>Non-operating income and expenses:</b>		
<b>Non-operating income:</b>		
Interest income	59,116	
Dividend income	3,394	
Gain on sale/disposal of investments in securities	1,220	
Subsidy income	50,016	
Other	218,361	332,109
<b>Non-operating expenses:</b>		
Interest expenses	25,717	
Foreign exchange losses	154,202	
Equity in loss of unconsolidated subsidiaries and affiliates	1,248,981	
Other	217,857	1,646,758
<b>Ordinary income</b>		<b>6,687,024</b>
<b>Extraordinary Gains and Losses</b>		
<b>Extraordinary gains:</b>		
Gain on sale/disposal of investment in securities	3,154,120	
Gain on sales of investments in subsidiaries and affiliates	1,640,045	
Reversal of allowance for doubtful accounts	3,792	
Loss on issuance of shares by investees	580,801	
Other	451,425	5,830,185
<b>Extraordinary losses:</b>		
Loss on sales of fixed assets	184,927	
Impairment loss on fixed asset	970,403	
Loss on sale/disposal of investments in securities	648	
Loss on write-down of investments in affiliates	101,930	
Amortization of consolidation goodwill	58,476	
Loss on changes in equity	475,413	
Loss on write-down of golf club memberships	11,030	
Other	209,860	2,012,690
<b>Income (loss) before income taxes and minority interests in net loss of subsidiaries</b>		<b>10,504,519</b>
Income taxes—current	108,318	
Income taxes—deferred	3,585,033	3,693,352
Minority interests in net income of subsidiaries		141,381
<b>Net income</b>		<b>6,669,784</b>

Note: Figures less than one thousand are rounded down to the nearest thousand.

## Basis of preparation of consolidated statutory reports

### 1. Scope of Consolidation

(1) Number of consolidated subsidiaries 49

The names of consolidated subsidiaries are described in (8) Status of Business Combinations."

Changes in our consolidated subsidiaries during the fiscal year under review are as follows:

(New)

- transcocosmos Information Syatem (Shanghai)Co., Ltd. (Importance increased after additional acquisition )
- X-perience Inc. (established on April 26, 2005)
- CO3 Inc. (established on September 21, 2005)
- BandWagon, Inc. (newly acquired)
- transcocosmos MCM Shanhai Co., Ltd.(established on August 3, 2005)
- Ask.jp Co., Ltd. (changed through additional acquisition from company accounted for by the equity method) (former Ask Jeeves Japan Co., Ltd.)
- ABACUS JAPAN K.K. (newly acquired)
- CIC Korea, Inc. (changed through additional acquisition from company accounted for by the equity method)
- Shine Harbour Ltd. (newly acquired)
- FLEX International Co., Ltd.(newly acquired)
- Transcosmos Information Creative Holdings (established on January 6, 2006)
- Access Markets International Partners, Inc.( changed from company accounted for by the equity method due to increased significance)
- CAREER INCUBATION INC. (changed from company accounted for by the equity method due to increased significance)
- APPLIED TECHNOLOGY KOREA, INC. (changed from a non-consolidated subsidiary due to increased significance)
- TEAMLAB Business Development Inc. (established on June 13, 2005)

(Excluded)

- PointCast Japan, LLC. (liquidation completed on August 1, 2005)

(2) Names of principal non-consolidated subsidiaries

transcocosmos design development (Dalian), transcocosmos MCM Korea Co., Ltd.

(Reason for exclusion from the scope of consolidation)

Total assets, net sales, net income (calculated according to our equity interest) and retained earnings (calculated according to our equity interest) were not substantial respectively, and do not have a material impact on the consolidated statutory reports.

### 2. Application of equity method

(1) Number of affiliates 21

Names of principal non-consolidated subsidiaries accounted for by the equity method

NetRatings Japan Inc., Become Japan Corporation

Changes in non-consolidated subsidiaries accounted for by the equity method are as follows:

(New)

- Become Japan Corporation (established on September 7, 2005)
- DIGITAL GOLF Inc. (newly acquired)
- Navinet, Inc. (newly acquired)
- Damoim Co., Ltd. (newly acquired)
- 9Fruitsmedia, Inc. (newly acquired)
- MetaCast, inc. (newly acquired)
- Japan Utility Charge Services (newly acquired)
- THE SANKEI DIGITAL CO., LTD.(newly acquired)

(Excluded)

- C&T Mobile Support Co., Ltd (sold all shares held)
- SOFTBRAIN Co., Ltd. (decrease in voting rights ratio)
- Ask.jp Co., Ltd. (changed to consolidated subsidiary through additional acquisition)
- CIC Korea, Inc. (changed to consolidated subsidiary through additional acquisition)
- WebCrew Inc. (decrease in voting rights ratio)
- Access Markets International Partners, Inc. (changed to consolidated subsidiary due to increased significance)
- CAREER INCUBATION INC. (changed from company accounted for by the equity method due to increased significance)
- Inphase Corporation

As dissolution of Inphase Corporation was resolved during the current fiscal year, consolidation of income and loss of the company on account of equity method will not be made.

The profits and losses of the five companies, DIGITAL GOLF Inc., Navinet, Inc., Damoim Co., Ltd., 9Fruitsmedia, Inc. and Japan Utility Charge Services, that the Company invested in are not consolidated as these companies have different account closing dates. Further, as the deemed acquisition dates of the two companies, MetaCastinc. and Sankei Digital Kabushiki Kaisha, are account closing dates, the profit and losses of these companies are not consolidated.

- (2) Non-consolidated subsidiaries that are not accounted for by the equity method (transcosmos design development (Dalian) and others) are excluded as the impact of net income and retained earnings to the Company and overall significance of these companies are minimal.
- (3) For those subsidiaries accounted for by the equity method that have different account closing dates from the Company, statutory reports are stated according to fiscal year of respective companies.

#### 4. Significant accounting policies

##### (1) Standards and methods of valuation of securities

Other available-for-sale securities (including investments in securities for operating purposes)

Securities with market value .....	Market value method based on the market price as of the account closing date. (Differences in valuation are included directly in shareholders' equity and costs of securities sold are calculated using the moving-average method.)
Securities without market value .....	Stated at cost using the moving-average method. As for investments to limited liability partnership for investment and other similar limited partnership, figures are based on the most recent statements of account available in accordance with account reporting dates provided for under the partnership agreements, and profits and expenses according to respective equity interests are carried as net sales and cost of sales.

- (2) Derivative transactions  
Market value method
- (3) Standards and method of valuation of inventories
- Work in process.....Stated at specific cost method  
Other inventories.....Stated at cost using the gross average method
- (4) Depreciation methods for fixed assets
- Tangible fixed assets .....The Company and the consolidated domestic subsidiaries use the declining-balance method (however, buildings (excluding building fixtures) acquired on or after April 1, 1998 are depreciated using the straight-line method.), and the consolidated overseas subsidiaries mainly use the straight-line method.  
For a part of the Company's call center facilities (equipment and fixtures), straight-line method according to economic life (approximately 50% shorter than the legal economic life) is used.
- Intangible fixed assets .....Mainly use the straight-line method  
As for software for in-house use, the straight-line method is used with a useful life of 5 years. Software is depreciated based on the quantity expected to be sold within 3 years after being put on the market. If the amount of depreciation is less than the amount of even installment based on the remaining life, it is depreciated with the amount not less than the even installment.
- (5) Standards of accounting for significant allowances and reserves
- Allowance for doubtful accounts.....Estimated uncollectible amounts are calculated using historical data for trade receivables and individually considering the probability of collection for doubtful receivables.
- Reserve for bonuses .....Reserve for bonuses for employees of the Company and domestic consolidated subsidiaries are calculated based on the estimates of bonus obligations for the current fiscal term.
- Reserve for retirement benefits.....Reserve for retirement benefits for employees of the Company and consolidated subsidiaries are calculated based on the estimates of retirement benefit obligations and pension assets as of the end of the consolidated fiscal term.  
Prior service cost is amortized in the year in which the gain or loss is recognized primarily by the declining-balance method over various periods (5 years) which is not more than the average remaining service period of employees. Unrecognized actuarial differences are amortized in the year following the year in which the gain or loss is recognized primarily by the straight-line method over various periods (5 years).  
Unrecognized actuarial differences are amortized in the year following the year in which the gain or loss is recognized primarily by the straight-line method over the period (5 years) which is not more than the average remaining service period of employees.

(6) Translation of significant assets and liabilities denominated in foreign currencies into yen  
Monetary assets and liabilities denominated in foreign currencies are translated into Japanese yen at the spot rate of foreign exchange as of the end of the fiscal term, and the resulting exchange differences are credited or charged to income. Assets and liabilities as well as revenues and expenses of overseas consolidated subsidiaries are translated into Japanese yen at the spot rate of foreign exchange as of the account closing date of each company. The resulting exchange differences have been recorded as a component of "foreign currency translation adjustment" and minority interests in shareholders' equity.

(7) Significant accounting method for leases  
Finance leases other than those for which the ownership of the leased property are deemed to be transferred to the lessee are accounted for primarily as ordinary rental transactions.

(8) Hedge accounting

- (1) Hedge accounting: .....Deferred accounting treatment is applied. Special accounting rules are applied to interest swap transactions which conform to requirements of special accounting rules.
- (2) Means for edging and hedged items:.....Means for hedging: Interest swap transactions  
Hedged items: Borrowings
- (3) Hedging policy: .....Hedge transactions are entered into with the purpose of avoiding risks of fluctuations in interest rates in accordance with the Company's internal rules.

(9) Other significant accounting policies

Accounting for consumption taxes

Consumption tax and local consumption tax are accounted for by the tax exclusion method.

4. Valuation of assets and liabilities of consolidated subsidiaries

Valuation of assets and liabilities of consolidated subsidiaries is determined based on the full-assessment market value method.

5. Amortization of consolidation goodwill

Consolidation goodwill is amortized by equal installments over 5 years or 10 years. If any circumstance arises which prevents the effect of amortization of consolidation goodwill, amount of amortization will be decreased accordingly.

Changes in accounting policy

1. In the past we positioned the evaluation, development, and promotion of know-how related to internet technology ventures as sources of competitiveness. On April 2005, however, management resolved to clearly position investments in those ventures as a core business within the organization, and to strengthen the workforce as a corporate venture business, in order to pursue profits and benefit from the synergies with information service business. As a result of this resolution, investments in securities of ¥13,814,411 thousand were reclassified as investments in securities for operating purposes (current assets), and deferred tax liabilities (non-current liabilities) of ¥4,941,452 thousand were reclassified as deferred tax liabilities (current liabilities), at the beginning of the fiscal year. As for the accounting method for sales of securities in our venture capital business, we previously classified the net amount of gain on sales of securities as non-operating income. From the current fiscal year, however, we have changed our accounting policy by classifying the securities sold as net sales and classifying the book value of securities sold as cost of sales. As a result, net sales increased to ¥6,149,077 thousand, cost of sales increased to ¥225,357 thousand, gross profit on sales increased to ¥5,923,720 thousand, and operating income increased to ¥5,923,720 thousand, while commission paid (selling, general and administrative expenses) decreased to ¥ 10,959 thousand, gain on sales of investments in securities (non-operating income) decreased to ¥5,915,153 thousand, dividends income (non-operating income) decreased to ¥24,602 thousand, and losses from investments by limited liability partnership (non-operating expenses) decreased to ¥6,218 thousand, compared to the results earned using the traditional methods.
2. From the current business year, the Company adopted the accounting standard for impairment of fixed assets "Opinion Concerning Establishment of Accounting Standard for Impairment of Fixed Assets" (Business

Accounting Council, August 9, 2002) and “Guideline on Accounting Standards for Impairment of Fixed Assets” (Application Guideline of Business Accounting Standard No.6, October 31, 2003). As a result, impairment loss on fixed assets, ¥970,403 thousand, is classified as extraordinary losses, and income before income taxes is decreased by the same amount.

Cumulative impairment losses are deducted directly from the amount for each asset.

Notes to the Consolidated Balance Sheet

1. Accumulated depreciation of tangible fixed assets ¥5,889,576 thousand
2. A deposit of ¥1,000 thousand was pledged as collateral.

Notes to the Consolidated Statement of Income

1. Net income per share ¥297.94
2. Impairment loss on fixed assets

The Company group recognized impairment losses for the following assets.

Use	Category	Location
Training center	Land and buildings	Ito-shi, Shizuoka Prefecture
Welfare provisions	Land and buildings	Ito-shi, Shizuoka Prefecture
Research facilities	Land and buildings	Kainan-shi, Wakayama Prefecture
Contents distribution system	Intangible fixed asset (software)	Shibuya-ku, Tokyo

We group our assets by management accounting categories. Though no signs of impairment were noted in any division headquarter (our unit of accounting), the operational environment at the above training centers, welfare provisions, and research facilities has been aggravated and land prices have declined. Consequently, book values are reduced up to redeemable price and the decreased amount is listed as impairment loss on fixed assets under extraordinary losses (¥970,403 thousand).

The breakdown is as follows: Training Center ¥394,193 thousand (land ¥309,337 thousand, building ¥84,856 thousand), Welfare provisions ¥170,792 thousand (land ¥118,743 thousand, building ¥52,049 thousand), Research facilities ¥305,417 thousand (land ¥194,812 thousand, building ¥110,605 thousand), and the Contents distribution system possessed by our consolidated subsidiary, Listen Japan, Inc., ¥100,000 thousand (intangible fixed assets).

A greater redeemable amount, including the headquarters building, is measured by the net sales price, and land and buildings are assessed by real estate appraisal values.

## REPORT OF INDEPENDENT AUDITORS

May 18, 2006

To the Board of Directors of transcosmos inc.

### **ChuoAoyama PricewaterhouseCoopers**

Designated and Engagement Partner  
Certified Public Accountant  
Masuzo Kawada

Designated and Engagement Partner  
Certified Public Accountant  
Nobuhiro Nii

Pursuant to Article 19-2, Paragraph 3 of the former "Law for Special Provisions for the Commercial Code Concerning Audits, etc., of *Kabushiki-Kaisha*," we have audited the statutory reports, that is, the consolidated balance sheet and the consolidated statement of income of the Company applicable to the 21<sup>st</sup> fiscal year from April 1, 2005 to March 31, 2006. These consolidated statutory reports and the supplementary schedules are the responsibility of the Company's management. Our responsibility is to independently express an opinion based on the audit.

We conducted our audit in accordance with auditing standards generally accepted in Japan. Those auditing standards require that we plan and perform the audit to obtain reasonable assurance as to whether the consolidated statutory reports are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated statutory reports and the supplementary schedules, assessing the accounting policies used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated statutory reports. We believe that our audit provides a reasonable basis for our opinion. Our audit includes audit procedures for subsidiaries as we considered necessary.

As a result of our audit, it is our opinion that the consolidated statutory reports properly present the Company's financial position and the results of operations of the group in accordance with the related laws, regulations and the Articles of Incorporation of transcosmos inc.

Our opinion regarding the changes in the accounting method is as follows:

1) As described in the changes in the accounting policy, the Company adopted "accounting standard for impairment of fixed assets" ("Opinion concerning establishment of accounting standard for impairment of fixed assets" (Business Accounting Deliberation Council (BADC) August 9, 2002)) and "application guidelines for accounting standards for impairment of fixed assets" (accounting standard application guidelines No.6 October 31, 2003) from the fiscal year. This change is in accordance with the application of new accounting principles and we believe this to be a reasonable measure.

2) As described in the changes in the accounting policy, the Company changed its accounting policy related to securities in the venture capital business. Through this change, the Company clearly positioned the structure of the corporate venture capital business as a core business in terms of investments from the Company from April 2005. By realizing synergy with the information service business, the Company strengthened the structure to pursue profit as a corporate venture capital business. We believe this change to be a reasonable measure..

#### Subsequent Events

Subsequent events related to stock splits are described in the business report.

Our firm and engagement partners have no interest in the Company that must be disclosed pursuant to the provisions of the Certified Public Accountants Law.

The above represents a translation, for convenience only, of the original report issued in the Japanese language

**AUDIT REPORT OF CONSOLIDATED SATUTORY AUDITORS**

The Board of Statutory Auditors, following review and deliberation on the reports prepared by each Statutory Auditor concerning the consolidated statutory reports (the consolidated balance sheet and the consolidated statement of income) for the 21<sup>st</sup> fiscal term from April 1, 2005 to March 31, 2006, prepared this Audit Report and hereby submit it as follows:

1. Summary of Auditing Methods

In accordance with the auditing policies and allocation of duties determined by the Board of Statutory Auditors, each Statutory Auditor received reports and explanations regarding the consolidated statutory reports from Directors and Accounting Auditors and audited them.

2. Results of Audit

The auditing methods and results of the Accounting Auditor, ChuoAoyama PricewaterhouseCoopers, are fair and reasonable.

May 19, 2006

Board of Statutory Auditors of transcosmos inc.

Full-time Statutory Auditor	Yoshiharu Uenoyama
Statutory Auditor	Masahiko Tanimura
Statutory Auditor	Teruyuki Hiiro
Statutory Auditor	Tsutomu Yamamoto

Note: Statutory Auditors, Masahiko Tanimura and Teruyuki Hiiro, are Outside Statutory Auditors as stipulated in Article 18, Paragraph 1 of the former "Law for Special Provisions of the Commercial Code Concerning Audits, etc., of *Kabushiki-Kaisha*."

## Reference Documents for the Annual General Meeting of Shareholders

### 1. Proposals and references

**Proposal No.1:** Approval of the Proposal for Appropriation of Retained Earnings for the 21<sup>st</sup> Fiscal Term  
The details of this proposal are as stated on page 19 of the attached documents.

With regard to dividends, management proposes to pay a dividend of ¥70 per share (¥30 increase from the previous term) pursuant to the Company's dividend distribution policy that lays importance on dividend payout ratio linked to business results. As for bonuses for Directors, we propose to offer 3 million yen to the two Directors, the same amount as in the previous year.

**Proposal No.2:** Decrease of Capital Reserve

In accordance with the provisions of Article 448 of the Company Law, total capital reserve of 15,069,145,062 yen will be transferred to other capital reserve to increase surplus available for dividend payout and to prepare for a more flexible capital policy in the future, including the option of acquiring treasury stock. We ask that the proposal be approved to ensure flexibility for financial strategy. If the proposal is approved, the effective date for the decrease of capital reserve will be August 1, 2006.

**Proposal No.3:** Partial Amendments to the Articles of Incorporation

1. Reasons for the Amendments

- (1) When the Company changed its line of business from specific workers dispatching business to full-time workers dispatching business, it decided to include fee-charging employment agency business. However, as The Occupation Security Act at the time prohibited corporations to engage in antique dealer business and fee-charging employment agency business at the same time, it has removed "antique dealer business" from the Company's objectives after approval by the 18<sup>th</sup> Annual General Meeting of Shareholders. This prohibition article, however, was abolished by the Law No.82 of 2003 and the Company decided to include the "antique dealer business" again as one of its objectives. (Proposed Amendments Article 2)
- (2) With the enactment of Partial Amendments of the Banking Law (Law No.106 of 2005), the Banking Law of Japan will be amended on April 1, 2006. Upon approval of the Prime Minister and if consigned or reconsigned by a bank or a bank agency, a company may engage in bank agency business (*ginko dairigyo*). The Company proposes to add "bank agency business" (*ginko dairigyo*) to the list of objectives of the Company with the aim of expanding business and sales channels of the Company into the financial sector. (Proposed Amendments Article 2)
- (3) As of April 1, 2006, the Company carried out stock split at ratio of two-for-one and the Company's current total outstanding shares is 48,794,046 shares. The increase in total number of shares authorized to be issued by the Company aims to prepare for the issue of stock acquisition rights for preventing inappropriate takeovers that may damage the Company's corporate value and the common interests of shareholders and expanding corporate value and the common interests of shareholders by these proposed amendments. (Proposed Amendments Articles 6)
- (4) Add a new provision on disclosure of reference documents of Annual General Meeting of Shareholders via the Internet and deemed disclosure of these documents in order to enhance the method of information disclosure at the general meetings. (Proposed Amendments Article 15)
- (5) Change the term of office of Directors to one (1) year in order to clarify the management responsibility of the Directors and flexibly build a system that can respond speedily to the changing economic conditions, as well as to build a system that can implement dividend payout of surplus upon resolution not only of the general meeting, but also of the Board of Directors. Together with this change, a provision concerning the decision-making body of dividend payout of surplus will be newly added. (Proposed Amendments Articles 20 and 39)
- (6) For the purposes of securing highly independent and capable personnel and ensuring such personnel to fully perform their expected role, it is proposed to add a new provision regarding agreements on the limited liability of outside auditors. (Proposed Amendments Article 36, Paragraph 2)
- (7) Excluding the items from (3) to (5), after the Company Law (Law No.86 of 2005) has been put into force on May 1, 2006, it has become necessary to change the articles of the Commercial Code in the Articles of Incorporation to the corresponding articles of the Company Law and abolish certain provisions.
- (8) In line with the inclusion of the above new articles, adjustments to the numbers of the relevant articles and other necessary improvements will be made.

2. Contents of the Amendments

(Note: Underlined parts are amended. In case that change in original Japanese text does not effect a substantial change in the meaning, no change is made in the English translation.)

Existing Articles of Incorporation	Proposed Amendments
<p style="text-align: center;">CHAPTER I. GENERAL PROVISIONS</p> <p>Article 1. (Omitted)</p> <p>(Purpose)</p> <p>Article 2. The purpose of the Company shall be to engage in the following businesses. 1 to 28 (Omitted)</p> <p>(New)</p> <p>(New)</p> <p><u>29.</u> Any business necessary or useful in connection with each of the above.</p> <p>Article 3. (Omitted)</p> <p>(New)</p>	<p style="text-align: center;">CHAPTER I. GENERAL PROVISIONS</p> <p>Article 1. (Unchanged)</p> <p>(Purpose)</p> <p>Article 2. The purpose of the Company shall be to engage in the following businesses. 1 to 28 (Unchanged)</p> <p><u>29. Antique dealer business;</u></p> <p><u>30. Bank agency business (ginko dairigyō); and</u></p> <p><u>31.</u> Any business necessary or useful in connection with each of the above.</p> <p>Article 3. (Unchanged)</p> <p>(Organs)</p> <p><u>Article 4. The Company shall establish the following organs in addition to the Annual General Meeting of Shareholders and the Directors.</u></p> <p><u>(1) The Board of Directors;</u></p> <p><u>(2) The Statutory Auditors;</u></p> <p><u>(3) The Board of Statutory Auditors; and</u></p> <p><u>(4) The Accounting Auditors.</u></p>
<p>Article <u>4.</u> (Omitted)</p> <p style="text-align: center;">CHAPTER II. SHARES</p> <p>(Total Number of Shares Authorized to be Issued)</p> <p>Article <u>5.</u> The total number of shares authorized to be issued by the Company shall be <u>90,088,176</u> shares.</p> <p>(New)</p> <p>(Purchase of Treasury Stock)</p> <p><u>Article 6. The Company may, by resolution of the Board of Directors, purchase treasury stock pursuant to Article 211-3, Paragraph 1, Item 2 of the Commercial Code.</u></p>	<p>Article <u>5.</u> (Unchanged)</p> <p style="text-align: center;">CHAPTER II. SHARES</p> <p>(Total Number of Shares Authorized to be Issued)</p> <p>Article <u>6.</u> The total number of shares authorized to be issued by the Company shall be <u>150 million</u> shares.</p> <p>(Issuance of Share Certificates)</p> <p><u>Article 7. The Company shall issue share certificates.</u></p> <p>(Deleted)</p>

Existing Articles of Incorporation	Proposed Amendments
<p>(Number of Shares Constituting One Unit of Stock and Non-Issuance of Share Certificates representing Shares Less Than One Unit of Stock)            Article <u>7</u>. The number of shares constituting one unit of stock shall be one hundred (100) shares.            2. The Company shall not issue share certificates representing shares constituting less than one unit of stock (<u>hereinafter referred to as “shares constituting less than one unit”</u>); provided, however, that this provision shall not apply to the matters otherwise provided for in the Share Handling Regulations.</p>	<p>(Number of Shares Constituting One Unit of Stock and Non-Issuance of Share Certificates representing Shares Less Than One Unit of Stock)            Article <u>8</u>. The number of shares constituting one unit of stock shall be one hundred (100) shares.            2. <u>Notwithstanding the preceding article</u>, the Company shall not issue share certificates representing shares constituting less than one unit of stock; provided, however, that this provision shall not apply to the matters otherwise provided for in the Share Handling Regulations.</p>
<p>(Denominations of Share Certificates)  <u>Article 8. Denominations of share certificates issued by the Company shall be governed by the Share Handling Regulations adopted or amended by resolution of the Board of Directors of the Company.</u></p>	<p>(Deleted)</p>
<p>(New)</p>	<p><u>(Request for Sale of Shares Constituting Less Than One Unit)</u>  <u>Article 9. A shareholder (including a beneficial shareholder; hereinafter the same interpretation shall apply) holding shares constituting less than one unit, in accordance with the provisions of the Share Handling Regulations, may request the Company to sell to him/her such amount of shares which will, when added together with the shares constituting less than one unit, constitute one unit of stock.</u></p>
<p>(Share Handling Regulations)            Article <u>9</u>. The business and handling charges pertaining to shares of the Company, <u>including registration of transfers of shares, registration and cancellation of pledges, indication and cancellation of trust property, invalidation and reissue of share certificates, and purchase and sale of shares constituting less than one unit, etc.</u> shall be governed by the Share Handling Regulations adopted or amended by resolution of the Board of Directors of the Company.</p>	<p>(Share Handling Regulations)            Article <u>10</u>. The business and handling charges pertaining to shares <u>and stock acquisition rights</u> of the Company shall be governed by, <u>in addition to law or these Articles of Incorporation</u>, the Share Handling Regulations adopted or amended by resolution of the Board of Directors of the Company.</p>

Existing Articles of Incorporation	Proposed Amendments
<p>(Transfer Agent)  Article 10. The Company shall appoint a transfer agent <u>with respect to its shares</u>.</p> <p>2. The transfer agent of the Company and its business office shall be designated by resolution of the Board of Directors of the Company and public notice thereof shall be issued by the Company.</p> <p>3. The register of shareholders, the register of beneficial shareholders and the register of lost share certificates of the Company <u>shall be retained at the business office of the transfer agent. The business pertaining to shares, such as registration of transfers of shares, registration and cancellation of pledges, indication and cancellation of trust property and reissue of share certificates shall be handled by the transfer agent and not by the Company.</u></p>	<p>(Transfer Agent)  Article 11. The Company shall appoint a transfer agent.</p> <p>2. The transfer agent of the Company and its business office shall be designated by resolution of the Board of Directors of the Company and public notice thereof shall be issued by the Company.</p> <p>3. <u>Preparation and retention of the register of shareholders (including the register of beneficial shareholders; hereinafter the same interpretation shall apply), the ledger of stock acquisition rights and the register of lost share certificates of the Company, as well as any other business with respect to the register of shareholders, the register of lost share certificates and ledger of stock acquisition rights of the Company, shall be entrusted to the transfer agent and shall not be handled by the Company.</u></p>
<p>(Record Date)  <u>Article 11. The Company shall deem those shareholders (including beneficial shareholders listed or recorded in the register of beneficial shareholders; hereinafter the same interpretation shall apply) whose names are listed or recorded in the register of shareholders as of the account closing date of each year to be shareholders entitled to exercise their rights at the Annual General Meeting of Shareholders to be held with respect to such fiscal year.</u></p> <p><u>2. In addition to the preceding paragraph, whenever necessary to confirm the persons who may exercise the rights as shareholders (including beneficial shareholders; hereinafter the same interpretation shall apply) or registered pledgees, record date may be temporarily determined upon giving prior public notice.</u></p>	<p>(Deleted)</p>
<p style="text-align: center;">CHAPTER III. GENERAL MEETING OF SHAREHOLDERS</p>	<p style="text-align: center;">CHAPTER III. GENERAL MEETING OF SHAREHOLDERS</p>
<p>Article 12. (Omitted)</p>	<p>Article 12. (Unchanged)</p>
<p>(New)</p>	<p><u>(Record Date with respect to Annual General Meeting of Shareholders)</u>  <u>Article 13. The record date with respect to voting rights exercisable at an Annual General Meeting of Shareholders of the Company shall be March 31 of each year.</u></p>
<p>(Convocation of Meetings and Chairman)  Article 13. (Omitted)</p>	<p>(Convocation of Meetings and Chairman)  Article 14. (Unchanged)</p>

Existing Articles of Incorporation	Proposed Amendments
<p>(New)</p> <p>(Method of Adopting Resolutions) Article <u>14</u>. Except as otherwise provided by law or by these Articles of Incorporation, all resolutions of a General Meeting of Shareholders shall be adopted by a majority of votes of the shareholders present.</p> <p>2. Resolutions to be adopted pursuant to <u>Article 343 of the Commercial Code</u> may be adopted by two-thirds (2/3) or more of the votes of the shareholders present who hold one-third (1/3) or more of the total number of voting rights of all shareholders.</p> <p>(Exercise of Voting Rights by Proxy) Article <u>15</u>. A shareholder of the Company may exercise his/her voting rights by authorizing <u>another</u> shareholder with voting rights to act as his/her proxy.</p> <p>2. (Omitted)</p> <p style="text-align: center;"><b>CHAPTER IV. DIRECTORS, BOARD OF DIRECTORS AND EXECUTIVE OFFICERS</b></p> <p>(Number of Directors) Article <u>16</u>. The number of Directors of the Company shall not exceed <u>twelve (12)</u>.</p> <p>(Election of Director) Article <u>17</u>. Directors of the Company shall be elected by a majority vote of the shareholders present who hold one-third (1/3) or more of the voting rights of <u>all</u> shareholders at the General Meeting of Shareholders.</p> <p>2. (Omitted)</p> <p>(Term of Office of Directors) Article <u>18</u>. The term of office of a Director shall expire upon conclusion of the ordinary General Meeting of Shareholders held with respect to the last <u>closing of accounts</u> within <u>two (2) years</u> from his/her <u>assumption of</u> office.</p> <p>(Convocation of Meetings and Chairman) Article <u>19</u>. (Omitted)</p>	<p><u>(Disclosure via the Internet of the Reference Documentation for the General Meeting of Shareholders, etc., and the Deemed Provision of Information)</u></p> <p><u>Article 15</u>. The Company shall be deemed to have provided the shareholders with the necessary information with respect to the matters to be stated or indicated in the reference documents for the General Meeting of Shareholders, the business reports, the statutory reports and the consolidated statutory reports, by disclosing such information via the Internet in accordance with the ordinance of the Ministry of Justice.</p> <p>(Method of Adopting Resolutions) Article <u>16</u>. Except as otherwise provided by law or by these Articles of Incorporation, all resolutions of a General Meeting of Shareholders shall be adopted by a majority of votes of the shareholders with voting rights present.</p> <p>2. Resolutions to be adopted pursuant to <u>Article 309, Paragraph 2 of the Company Law</u> may be adopted by two-thirds (2/3) or more of the votes of the shareholders present who hold one-third (1/3) or more of the total number of voting rights of shareholders <u>with voting rights</u>.</p> <p>(Exercise of Voting Rights by Proxy) Article <u>17</u>. A shareholder may exercise his/her voting rights by authorizing <u>one (1) other</u> shareholder with voting rights of the Company to act as his/her proxy.</p> <p>2. (Unchanged)</p> <p style="text-align: center;"><b>CHAPTER IV. DIRECTORS, BOARD OF DIRECTORS AND EXECUTIVE OFFICERS</b></p> <p>(Number of Directors) Article <u>18</u>. The number of Directors of the Company shall not exceed <u>fourteen (14)</u>.</p> <p>(Election of Director) Article <u>19</u>. Directors of the Company shall be elected by a majority vote of the shareholders present who hold one-third (1/3) or more of the voting rights of shareholders <u>with voting rights</u> at the General Meeting of Shareholders.</p> <p>2. (Unchanged)</p> <p>(Term of Office of Directors) Article <u>20</u>. The term of office of a Director shall expire upon conclusion of the Annual General Meeting of Shareholders held with respect to the last <u>business year ending</u> within <u>one (1) year</u> from his/her <u>election to</u> office.</p> <p>(Convocation of Meetings and Chairman) Article <u>21</u>. (Unchanged)</p>

Existing Articles of Incorporation	Proposed Amendments
Article <u>20</u> . (Omitted)	Article <u>22</u> . (Unchanged)
(Resolutions)	<u>(Omission of Procedure for Adopting Resolutions of the Board of Directors)</u>
Article <u>21</u> . <u>Resolutions of the Board of Directors of the Company shall be adopted by a majority of the Directors present, which present Directors shall constitute in number a majority of the total number of Directors.</u>	Article <u>23</u> . <u>When requirements provided for in Article 370 of the Company Law are satisfied, resolutions of the Board of Directors of the Company shall be deemed to have been adopted.</u>
Article <u>22</u> to Article <u>23</u> (Omitted)	Article <u>24</u> to Article <u>25</u> (Unchanged)
(Limitation of Liabilities of Directors)	(Limitation of Liabilities of Directors)
Article <u>24</u> . Pursuant to the provisions of <u>Article 266, Paragraph 12 of the Commercial Code</u> , the Company may release Directors (including former Directors) from liabilities <u>relating to the acts specified in Paragraph 1, item 5 of the said article</u> , to the extent permitted by law, in accordance with resolution of the Board of Directors of the Company.	Article <u>26</u> . Pursuant to the provisions of <u>Article 426, Paragraph 1 of the Company Law</u> , the Company may release Directors (including former Directors) from liabilities <u>for damages arising from negligence in the performance of their duties</u> , to the extent permitted by law, in accordance with resolution of the Board of Directors of the Company.
2. Pursuant to the provisions of <u>Article 266, Paragraph 19 of the Commercial Code</u> , the Company may enter into an agreement with each of the Outside Directors to the effect that any liability of such Outside Director arising from <u>acts specified in Paragraph 1, Item 5 of the said article</u> shall be limited; provided, however, the limit of the liability shall be a prescribed amount that is one (1) million yen or more or an amount set by law, whichever is the greater.	2. Pursuant to the provisions of <u>Article 427, Paragraph 1 of the Company Law</u> , the Company may enter into an agreement with each of the Outside Directors to the effect that any liability <u>for damages</u> of such Outside Director arising from <u>negligence in the performance of his/her duties</u> shall be limited; provided, however, the limit of the liability shall be a prescribed amount that is one (1) million yen or more or an amount set by law, whichever is the greater.
Article <u>25</u> . (Omitted)	Article <u>27</u> . (Unchanged)
(Compensation <u>and Retirement Allowance</u> )	(Compensation <u>etc.</u> )
Article <u>26</u> . <u>Compensation and retirement allowance for Directors shall be separately determined by the resolution of the General Meeting of Shareholders.</u>	Article <u>28</u> . <u>The amount of compensation, bonuses and any other proprietary benefits to be granted to Directors by the Company in consideration of their performance of duty (hereinafter referred to as "compensation etc.") shall be determined by resolution of the General Meeting of Shareholders.</u>
CHAPTER V. STATUTORY AUDITORS AND BOARD OF STATUTORY AUDITORS	CHAPTER V. STATUTORY AUDITORS AND BOARD OF STATUTORY AUDITORS
Article <u>27</u> . (Omitted)	Article <u>29</u> . (Unchanged)
(Election of Statutory Auditors)	(Election of Statutory Auditors)
Article <u>28</u> . Statutory Auditors of the Company shall be elected by a majority vote of the shareholders present who hold one-third (1/3) or more of the voting rights of <u>all</u> shareholders at the General Meeting of Shareholders.	Article <u>30</u> . Statutory Auditors of the Company shall be elected by a majority vote of the shareholders present who hold one-third (1/3) or more of the voting rights of shareholders <u>with voting rights</u> at the General Meeting of Shareholders.

Existing Articles of Incorporation	Proposed Amendments
<p>(Term of office of Statutory Auditors)  Article 29. The term of office of a Statutory Auditor shall expire upon conclusion of the Annual General Meeting of Shareholders held with respect to the last <u>closing of accounts</u> within four (4) years from his/her <u>assumption of</u> office.  2. (Omitted)</p>	<p>(Term of office of Statutory Auditors)  Article 31. The term of office of a Statutory Auditor shall expire upon conclusion of the Annual General Meeting of Shareholders held with respect to the last <u>business year ending</u> within four (4) years from his/her <u>election to</u> office.  2. (Unchanged)</p>
<p>(Full-Time Statutory Auditors)  Article 30. <u>Statutory Auditors shall determine among themselves</u> one or more full-time Statutory Auditors.</p>	<p>(Full-Time Statutory Auditors)  Article 32. <u>The Board of Statutory Auditors shall elect by resolution</u> one or more full-time Statutory Auditors.</p>
<p>(Notice of Convocation of the Board of Statutory Auditors)  Article 31. (Omitted)  (New)</p>	<p>(Notice of Convocation of the Board of Statutory Auditors)  Article 33. (Unchanged)  2. <u>When the consent of all Statutory Auditors is obtained in advance, a meeting of the Board of Statutory Auditors of the Company may be held without following the procedures for convening a meeting.</u></p>
<p>Article 32 to Article 33 (Omitted)</p>	<p>Article 34 to Article 35 (Unchanged)</p>
<p>(Limitation of Liabilities of Statutory Auditors)  Article 34. Pursuant to the provisions of <u>Article 280, Paragraph 1 of the Commercial Code</u>, the Company may release Statutory Auditors (including former Statutory Auditors) from liabilities to the extent permitted by law, in accordance with resolution of the Board of Directors of the Company.</p>	<p>(Limitation of Liabilities of Statutory Auditors)  Article 36. Pursuant to the provisions of <u>Article 426, Paragraph 1 of the Company Law</u>, the Company may release Statutory Auditors (including former Statutory Auditors) from liabilities <u>for damages arising from negligence in the performance of their duties</u>, to the extent permitted by law, in accordance with resolution of the Board of Directors of the Company.  2. <u>Pursuant to the provisions of Article 427, Paragraph 1 of the Company Law, the Company may enter into an agreement with each of the Outside Statutory Auditors to the effect that any liability for damages of such Outside Statutory Auditor arising from negligence in the performance of his/her duties shall be limited; provided, however, the limit of the liability shall be a prescribed amount that is one (1) million yen or more or an amount set by law, whichever is the greater.</u></p>
<p>(Compensation <u>and Retirement Allowance</u>)  Article 35. Compensation <u>and retirement allowance</u> of Statutory Auditors of the Company shall be <u>separately</u> determined by the resolution of the annual general meeting.</p>	<p>(Compensation etc.)  Article 37. Compensation etc. of Statutory Auditors of the Company shall be determined by the resolution of the annual general meeting.</p>

Existing Articles of Incorporation	Proposed Amendments
<p style="text-align: center;">CHAPTER VI. ACCOUNTS</p> <p>(Business Year <u>and Closing of Accounts</u>)  Article <u>36</u>. The business year of the Company shall commence on April 1 of each year and shall end on March 31 of the following year, <u>and the Company's accounts shall be closed on the account closing date of each year.</u></p> <p>(New)</p> <p>(Dividends)  Article <u>37</u>. <u>Dividends shall be paid to the shareholders or registered pledgees whose names are listed or recorded in the last register of shareholders and the register of beneficial shareholders as of the account closing date of each year.</u></p> <p>(New)</p> <p>(Interim Dividends)  Article <u>38</u>. <u>The Company may, by resolution of the Board of Directors of the Company, pay cash dividends, provided under the Article 293-5 of the Commercial Code, to the shareholders or registered pledges whose names are listed or recorded in the last register of shareholders and the register of beneficial shareholders as of September 30 of each year.</u></p> <p>(Expiration Period for Dividends)  Article <u>39</u>. If dividends <u>or interim dividends</u> are not claimed within three (3) years from the date of commencement of payment thereof, the Company shall be relieved of the obligation to make such payment.</p>	<p style="text-align: center;">CHAPTER VI. ACCOUNTS</p> <p>(Business Year)  Article <u>38</u>. The business year of the Company shall commence on April 1 of each year and shall end on March 31 of the following year.</p> <p>(Decision-making Organ with respect to Distribution of Surplus etc.)  Article <u>39</u>. <u>Except as otherwise provided by law, the matters specified in each item of Article 459, Paragraph 1 of the Company Law, including the distribution of surplus, shall be determined by resolution not of the Annual General Meeting of Shareholders but of the Board of Directors of the Company.</u></p> <p>(Record Date for Distribution of Surplus)  Article <u>40</u>. <u>The record date for payment of year-end dividends shall be March 31 of each year.</u></p> <p><u>2. The record date for payment of interim dividends shall be September 30 of each year.</u></p> <p>(Deleted)</p> <p>(Expiration Period for Dividends)  Article <u>41</u>. If dividends, <u>which are to be paid in cash,</u> are not claimed within three (3) years from the date of commencement of payment thereof, the Company shall be relieved of the obligation to make such payment.</p>

**Proposal No. 4: Election of Twelve (12) Directors**

If Proposal No.3 is resolved and approved by this Meeting, the term of office of a Director will be one year and the term of office of all the Directors will expire at the conclusion of this Meeting. It is proposed that twelve Directors be elected, including the addition of two Outside Directors, to check the business execution of the Directors and strengthen supervision over the Board of Directors.

The candidates for Directors are as follows:

Candidate Number	Name (Date of Birth)	Career summary, position and representation of other companies	Number of Company shares held
1	Koki Okuda (January 9, 1937)	<p>June 1966 Established Maruei Keisan Center Kabushiki Kaisha</p> <p>December 1974 President &amp; Representative Director of Kabushiki Kaisha Kansai Maruei Keisan Center</p> <p>June 1975 President &amp; Representative Director of Wakayama Maruei Keisan Center Kabushiki Kaisha</p> <p>November 1978 President &amp; Representative Director of Kabushiki Kaisha Input Research Institute</p> <p>January 1982 President &amp; Representative Director of Gunma Maruei Keisan Center Kabushiki Kaisha Asahi MKC President &amp; Representative Director of President &amp; Representative Director of Asahi-MKC Co., Ltd. (present Accelcareer inc.)</p> <p>April 1982 President &amp; Representative Director of Kabushiki Kaisha Maritec</p> <p>June 1984 Board member of Japan Information Technology Services Industry Association</p> <p>October 1984 President &amp; Representative Director of Kabushiki Kaisha CPC</p> <p>June 1985 Established Trans Cosmos Kabushiki Kaisha</p> <p>September 1999 President &amp; Representative Director of Athena Interactive Kabushiki Kaisha (present A.T. Interactive Inc.)</p> <p>December 1995 Chairman &amp; Representative Director of Kabushiki Kaisha Primes Communications (present Kabushiki Kaisha Primes Knowledge Solutions)</p> <p>May 1997 President &amp; Representative Director of J-Stream Inc. (present J-Stream Inc.)</p> <p>June 1998 Chairman of the Board of the Company</p> <p>September 1998 President &amp; Representative Director of Encompass Group Kabushiki Kaisha</p> <p>December 1999 President &amp; Representative Director of Kabushiki Kaisha E-Ventures</p> <p>February 2001 President &amp; Representative Director of Asahi-MKC Co., Ltd. (present Accelcareer inc.)</p> <p>June 2001 President &amp; Representative Director of Techno Bouquet Inc.</p> <p>September 2002 Chairman of the Board &amp; Group CEO of the Company</p> <p>June 2003 Representative Director, Group CEO &amp; Founder of the Company (present post)</p>	3,739,400 shares

Candidate Number	Name (Date of Birth)	Career summary, position and representation of other companies	Number of Company shares held
2	Koji Funatsu (March 18, 1952)	<p>April 1981      Joined Recruit Co., Ltd.</p> <p>December 1995      Director of Recruit Hokkaido Jalan Co., Ltd.</p> <p>April 1998      Joined the Company, General Manager of Business Planning &amp; Development Division</p> <p>June 1998      Managing Director</p> <p>June 1999      Senior Managing Director, Assistance in Overseas Business Control</p> <p>April 2000      Vice President &amp; Representative Director, in charge of Marketing and Consulting Divisions, in charge of each Business Divisions</p> <p>November 2000      In charge of Business Control Division (present post)</p> <p>April 2001      In charge of Business Strategy Division and Human Resources Division Chairman and Representative Director of Techno Bouquet Inc.</p> <p>September 2001      President &amp; Representative Director, Best Career Kabushiki Kaisha</p> <p>April 2002      CEO of Business Control Division &amp; in charge of Human Resources of the Company</p> <p>September 2002      President, Representative Director &amp; CEO</p> <p>June 2003      Chairman, Representative Director &amp; CEO (present post)</p>	5,200 shares
3	Osamu Goto (December 2, 1942)	<p>April 1965      Joined NCR Japan, Ltd.</p> <p>May 1972      Joined Kawasaki Gakuen (school juridical person)</p> <p>January 1974      Joined C. Itoh Data Systems Corp.</p> <p>July 1986      Joined ITOCHU TECHNO-SCIENCE Corporation</p> <p>October 1992      President &amp; Representative Director of CTC FINANCIAL ENGINEERING Corporation</p> <p>April 2000      President &amp; Representative Director of ITOCHU TECHNO-SCIENCE Corporation</p> <p>June 2003      Adviser of ITOCHU TECHNO-SCIENCE Corporation</p> <p>May 2004      Special Advisor of the Company</p> <p>June 2004      Vice President and Director (present post)</p>	0 shares

Candidate Number	Name (Date of Birth)	Career summary, position and representation of other companies	Number of Company shares held
4	Toshikazu Tanizawa (November 18, 1955)	<p>April 1979      Joined Maruei Keisan Center Kabushiki Kaisha</p> <p>June 1985      Joined the Company</p> <p>June 1997      Director &amp; General Manager of CAD Business Division</p> <p>April 1998      Managing Director</p> <p>April 2000      In charge of Engineering Solutions Business Division</p> <p>November 2000      Senior Managing Director, Assistance in Business Operations Division</p> <p>April 2001      Assistance and in charge of Business Strategy Division</p> <p>April 2002      In charge of Business Operations Division (in charge of development related business and development related manufacturing subsidiaries) and General Manager of Back Office Support Business Division No.2</p> <p>June 2002      Deputy Chief of Business Operations Division</p> <p>September 2002      Vice President &amp; Director In charge of Development Services Business, in charge of Development Business</p> <p>June 2003      Chairman &amp; Representative Director of Transwellnet Kabushiki Kaisha</p> <p>April 2004      Chief of Services Business Division</p> <p>June 2004      Chairman &amp; Representative Director of Accelcareer inc. Chairman &amp; Representative Director of transcosmos CRM Wakayama Inc. (present post)</p> <p>April 2005      Executive Vice President of the Company (present post)</p>	100 shares

Candidate Number	Name (Date of Birth)	Career summary, position and representation of other companies	Number of Company shares held
5	Masataka Okuda (March 29, 1967)	<p>April 1988      Joined the Company</p> <p>June 1996      Director, Deputy General Manager of Marketing Division</p> <p>June 1998      Managing Director, Chief of Office of President</p> <p>April 2000      Vice President &amp; Representative, Chief of Business Planning &amp; Development, Deputy Chief of Overseas Business Division</p> <p>December 2000   Representative Director of Ask Jeeves Japan Co., Ltd.</p> <p>April 2001      Office of President of the Company, Chief of Business Promotion Division, Deputy Chief of Overseas Business Division, Deputy Chief of Accounting &amp; Finance Division &amp; Maintenance Services Division</p> <p>April 2002      CEO of Business Development Division</p> <p>June 2002      Representative Director of Kabushiki Kaisha E-Ventures (present post)</p> <p>September 2002   Vice President, Representative Director &amp; COO of the Company</p> <p>June 2003      President, Representative Director &amp; COO (present post)</p>	2,955,184 shares
6	Shojiro Takashima (January 13, 1936)	<p>April 1958      Joined Nihon Keisanki Hanbai Kabushiki Kaisha</p> <p>November 1964   Joined IBM Japan, Ltd.</p> <p>January 1993      Vice President &amp; Representative Director of Sumitomo Metal Information Systems Corporation</p> <p>October 2001      Adviser of the Company</p> <p>June 2002      Director, in charge of Business Operations and Business Promotion Development Services Division</p> <p>October 2002      General Manager of Support Desk Services Business</p> <p>April 2003      Senior Managing Director, Chief of Marketing Division (present post)</p> <p>April 2004      Vice President, Representative Director (present post)</p> <p>June 2005      Vice President, Representative Director (present post)</p>	0 shares

Candidate Number	Name (Date of Birth)	Career summary, position and representation of other companies	Number of Company shares held
7	Koichi Iwami (January 10, 1967)	<p>April 1993      Joined Ajinomoto Co., Inc.</p> <p>March 2001      Joined the Company</p> <p>June 2002      Director, Deputy General Manager of Business Development Division</p> <p>October 2002    Deputy General Manager of Service Marketing Division No.1, , Deputy General Manager of Service Marketing Division No.2 , Marketing Chain Management Services, and Deputy General Manager of Web Solutions Business</p> <p>June 2003      Managing Director, General Manager of Services Business Division, Marketing Chain Management Services</p> <p>April 2004      Deputy Chief of Services Division &amp; Chief of Marketing Chain Management Services</p> <p>June 2004      Corporate Executive Officer</p> <p>September 2004    President &amp; Representative Director of Business Process Service Co., Ltd. (present post)</p> <p>February 2005    Chairman of transcosmos Information System (Shanghai) Co., Ltd. (present post)</p> <p>March 2005      President &amp; Representative Director of transcosmos CRM Okinawa Inc. (present post)</p> <p>                    President &amp; Representative Director of transcosmos CRM Sapporo Inc. (present post)</p> <p>                    President &amp; Representative Director of transcosmos CRM Miyazaki Inc. (present post)</p> <p>                    President &amp; Representative Director of transcosmos CRM Wakayama Inc. (present post), transcosmos Telemarketing Inc. (present post)</p> <p>                    President &amp; Representative Director of Accelcareer inc.</p> <p>April 2005      Chief of Marketing Chain Management Services of the Company (present post)</p> <p>June 2005      Senior Managing Director (present post)</p> <p>August 2005      Chairman of transcosmos MCM Shanghai Co., Ltd. Shanghai (present post)</p> <p>February 2006    Representative Director &amp; President of CIC Korea, Inc. (present post), Representative Director &amp; President of transcosmos MCM Korea Co., Ltd. (present post)</p>	0 shares

Candidate Number	Name (Date of Birth)	Career summary, position and representation of other companies	Number of Company shares held
8	Masakatsu Moriyama (May 21, 1970)	<p>April 1993      Joined Pricewaterhouse Consultant (present IBM Japan, Ltd.)</p> <p>February 1997      Joined Gemini Consulting Japan Inc.</p> <p>August 1999      Joined Arthur D. Little (Japan), Inc.</p> <p>June 2000      Joined the Company</p> <p>April 2001      In charge of corporate strategy, Office of President</p> <p>April 2002      General Manager of Corporate Planning Division</p> <p>June 2002      Director</p> <p>June 2003      Managing Director</p> <p>June 2004      Corporate Executive Officer, Chief of Business Operations Division &amp; General Manager of Business Planning Division</p> <p>September 2004      Executive Officer , in charge of Strategy Planning &amp; General Manager of Fund Investment Incubation of SOFTBANK INVESTMENT CORPORATION</p> <p>April 2005      Corporate Executive Officer &amp; CIO in charge of Personnel Planning of the Company</p> <p>June 2005      Senior Managing Director, CIO &amp; in charge of Personnel Planning (present position, President &amp; Representative Director of transcosmos inc. &amp; Team Lab Inc. (present TEAMLAB Business Development Inc.) (present position)</p> <p>September 2005      Senior Managing Director, CIO, in charge of Personnel Planning, General Manager of BtoC Business Strategy (present post)</p> <p>November 2005      President &amp; Representative Director of Listen Japan, Inc.(present post)</p>	1,000 shares

Candidate Number	Name (Date of Birth)	Career summary, position and representation of other companies	Number of Company shares held
9	Shinichi Nagakura (January 7, 1964)	<p>March 1986      Joined Recruit Co., Ltd.</p> <p>June 1998      Joined the Company, assumed post at Trans Cosmos USA, Inc. Director of Transcosmos Investments &amp; Business Developments, Inc. (present Transcosmos Investments &amp; Business Development, Inc.)</p> <p>June 2004      Corporate officer, General Manager of Service Development Division of the Company, Vice President of transcosmos U.S.A. Inc. (present Transcosmos Investments &amp; Business Development, Inc.)</p> <p>August 2004    Director of OneXeno Limited (present post)</p> <p>September 2004 Director of Become, Inc. (present post)</p> <p>February 2005   Director of Donnerwood Media, Inc. (present post)</p> <p>March 2005      Director of Pheedo, Inc. (present post), Director of CinemaNow Japan Inc. (present post)</p> <p>June 2005      Director of transcosmos &amp; Team Lab Inc. (present TEAMLAB Business Development Inc.) (present post), Director of EnCompass Group Inc. Director of Kabushiki Kaisha E-Ventures (present post), Corporate Senior Officer, in charge of group strategy</p> <p>September 2005 Corporate Executive Officer, General Manager of Business Development &amp; Investments (present post), Director of Become Japan Corporation (present post)</p> <p>March 2006      Director of Ask.jp Co., Ltd. (present post)</p>	0 shares

Candidate Number	Name (Date of Birth)	Career summary, position and representation of other companies	Number of Company shares held
10	Taiki Yoshioka (September 16, 1940)	<p>April 1963 Joined Sumitomo Life Insurance Company</p> <p>July 1995 Director, General Manager of Saitama Business Development Division of Sumitomo Life Insurance Company</p> <p>April 1997 Managing Director, General Manager of Corporate Division No.2, Tokyo Head Office of Sumitomo Life Insurance Company</p> <p>April 1999 Senior Managing Director of Sumitomo Life Insurance Company</p> <p>July 2001 Deputy President &amp; Representative Director of Sumitomo Life Insurance Company</p> <p>April 2002 Deputy President &amp; Director, Executive Officer &amp; Executive Vice President of Sumitomo Life Insurance Company</p> <p>January 2003 Chairman of the Board of Sumisei Computer Service Co., Ltd.</p> <p>June 2005 Outside Director of the Company (present post), Chairman of the Board of HiSoft Technology Japan</p> <p>January 2006 Chairman of the Board of CIJ Solutions, Ltd. (present post)</p>	0 shares
11	Kichiro Takao (December 23, 1934)	<p>March 1958 Joined Nikko Securities Co., Ltd. (present Nikko Cordial Corporation)</p> <p>March 1975 Manager of Wakayama Branch of Nikko Securities Co., Ltd.</p> <p>December 1982 Director, General Manager of Corporate Business Division No.1, Osaka Branch of Nikko Securities Co., Ltd.</p> <p>November 1985 Managing Director, in charge of Osaka area &amp; Manager of Osaka Branch of Nikko Securities Co., Ltd.</p> <p>August 1988 Senior Managing Director, in charge of Marketing &amp; Planning of Nikko Securities Co., Ltd.</p> <p>May 1990 Vice President of Nikko Securities Co., Ltd.</p> <p>June 1991 President of Nikko Securities Co., Ltd.</p> <p>October 1997 Adviser of Nikko Securities Co., Ltd.</p> <p>June 2000 Statutory Auditor of NIPPON DENTSU CO., LTD. (present post)</p> <p>October 2001 Adviser of Nikko Cordial Corporation</p>	0 shares
12	Yoko Kamiyama (October 1, 1947)	<p>April 1970 Joined LION-SHA CORPORATION</p> <p>August 1970 Joined Japan Recruit Center (present Recruit Co., Ltd.)</p> <p>August 1985 Director of Recruit Co., Ltd.</p> <p>June 1997 Standing Auditor of Recruit Co., Ltd.</p> <p>June 2003 Outside Director of PIA Corporation</p> <p>July 2003 Representative Director of Genbar Ltd. (present post)</p> <p>October 2003 Director &amp; General Manager of Publishing Division, PIA Corporation</p>	0 shares

Notes: 1. No conflict of interest exists between the Company and any of the above candidates for Directors.  
2. Taiki Yoshioka, Kichiro Takao and Yoko Kamiyama are candidates for Outside Directors as stipulated in Article 2, Paragraph 3, Item 7 of the Enforcement Regulations of the Company Law.

**Proposal No. 5: Election of Two (2) Statutory Auditors**

The term of office of Statutory Auditors, Masahiko Tanimura and Tsutomu Yamamoto, will expire at the conclusion of this Meeting. Accordingly, election of the following two Statutory Auditors is proposed.

The candidates for Statutory Auditors are as follows.

The Board of Statutory Auditors has previously given its approval to this proposal.

Candidate Number	Name (Date of Birth)	Career summary, position and representation of other companies	Number of Company shares held
1	Kazushi Watanabe (September 25, 1939)	February 1988 Chief of Tomisaka Police Station March 1990 Director of First Investigation Division, the Metropolitan Police July 1991 Chief of Kamata Police Station September 1993 Head of the Public Security Department of Tohoku Regional Police Bureau February 1995 Director of Community Safety Bureau, the Metropolitan Police September 1997 Retired from the Metropolitan Police October 1997 General Manager of Marketing Strategy Division, Yamato Transport Co., Ltd. June 1998 Director of Yamato Transport Co., Ltd. June 2001 Managing Director of Yamato Transport Co., Ltd. May 2005 Part-time adviser of SOMPO JAPAN INSURANCE INC.(present post) January 2006 Adviser of the Company (present post)	0 shares
2	Toshiaki Nakamura (October 9, 1941)	July 1993 Chief Inspector General of National Tax Agency Commissioner's Secretariat July 1996 Director of Shinagawa Taxation Office July 1997 Director of Tokyo Training Center, National Tax College Japan July 1999 Director of Shibuya Taxation Office July 2000 Retired from the office of Director of Shibuya Taxation Office October 2000 Tax adviser of Techno Bouquet Inc. April 2004 Tax adviser of the Company (present post)	0 shares

Notes: 1. No conflict of interest exists between the Company and any of the above candidates for Statutory Auditors.

2. Kazushi Watanabe and Toshiaki Nakamura are candidates for Outside Statutory Auditors as stipulated in Article 2, Paragraph 3, Item 8 of the Enforcement Regulations of the Company Law.

**Proposal No. 6: Election of Accounting Auditor**

Upon expiration of the term, Chuo Aoyama PricewaterhouseCoopers, the Company's Accounting Auditor, will resign at the close of this Annual General Meeting of Shareholders. Appointment of the following Accounting Auditor is proposed.

The Board of Statutory Auditors has previously given its approval to this proposal.

The candidate for Accounting Auditor is as follows:

Name of Accounting Auditor	Ernst & Young ShinNihon	
Location of Offices	Principal office Hibiya Kokusai Bldg., 2-3 Uchisaiwai-cho 2-chome, Chiyoda-ku, Tokyo	
History	January 1967 October 1985  April 2000  July 2001  July 2005	Tetsuzo Ota & Co. established Tetsuzo Ota & Co. and Showa Audit Corporation merged to form Showa Ota & Co. Showa Ota & Co. and Century Audit Corporation merged to form Century Ota Showa & Co. Merged with TKA TAKESHI IIZUKA & Co. and Takachiho Audit Corporation and corporate name changed to Shin Nihon & Co. Ernst & Young ShinNihon merged with Taiseikaikeisha Audit Corporation
Composition of members (As of March 31, 2006)	Representative partners Partners Professional staffs (Certified Public Accountants) (Junior accountants) (Others)	324 213 1,093 1,160 661  Total 3,451

## **Proposal No. 7: Issuance of Stock Acquisition Rights for Implementing a Trust-type Rights Plan**

The Company is planning to issue stock acquisition rights (hereinafter referred to as the “Stock Acquisition Rights”) for the purpose of enhancing or improving the corporate value and the common interests of shareholders, as a part of the rights plan using a scheme of stock acquisition rights and trust (hereinafter referred to as “Trust-type Rights Plan”). Accordingly, it is proposed issue the Stock Acquisition Rights pursuant to the provisions of Articles 236 and 238 of Company Law as follows on the condition that the Proposal No.3 (Partial Amendments to the Articles of Incorporation) are approved and resolved as it is proposed.

### **A. The reasons why it is necessary to solicit persons to subscribe for stock acquisition rights under especially favorable conditions**

#### **1. Endeavors to increase the Company’s corporate value**

Since transcosmos inc. (hereinafter referred to as the “Company”) was established in 1966 as a pioneer in the outsourcing business of information processing, the Company has combined excellent *people* with the latest *technology*, and in order to provide services with high added value, the Company has responded to diverse customer needs and the change in the times through call center and contact center businesses, as well as operating businesses including digital marketing, support desk services, system development and design services.

In 2001, in order to respond to the changes in the business environment brought about by the diffusion of the Internet and broadband and provide greater customer satisfaction, the Company has set out a new corporate vision titled “Marketing Chain Management”. “Marketing Chain Management” is a new management service business for maximizing contributions to customers in both the aspect of cost reductions through support of call center business and the aspect of increasing sales through optimizing and improving the efficiency of marketing. Through support services of the call center, the Company reduces customers’ costs and the customers become able to perform marketing that is more effective and efficient than previously achieved by customers by collecting and analyzing consumers’ opinions obtained in the process of providing the support services, reflecting the analysis results in future planning, and carrying out advertising and sales promotion best suited to the preferences of consumers. By adopting an “industry-based sales system”, the Company has changed its service system in order to provide “people” that are professionals in their industry or sector as well as professional “technology”, and provide the services best suited to client enterprises of any industry. As a result, the Company’s initial management targets for fiscal 2006 (sales of ¥100 billion) have been achieved in the fiscal year ending on March 31, 2006, a year ahead of schedule.

The Company has drawn up a mid-term business plan starting in 2006 (hereinafter referred to as the “mid-term business plan”) based on these results. In the mid-term business plan, the Company intends to further promote the “Marketing Chain Management” services throughout the group companies and actively expand its business not only in Japan but also overseas, particularly in Asia. In the fiscal year ending on March 2010, the Company aims to achieve the management targets of consolidated sales of 220 billion yen and consolidated operating income of 16 billion yen.

Along with formulating the mid-term business plan, the term of office of directors will be reduced from the current 2 years to 1 year and 2 additional outside directors will be appointed, subject to the approval of shareholders at the 21<sup>st</sup> annual general meeting of shareholders to be held on June 29, 2006 (hereinafter referred to as “AGM”), so that the board of directors is made up of 9 internal directors and 3 outside directors in order to make the management oversight functions of highly independent outside directors more effective. In addition, the Company will further endeavor to enhance corporate governance through the establishment of internal controls and thorough compliance education utilizing e-learning.

The Company also position returning profits to shareholders as one of the most important issues in management. The Company has a dividend policy that takes into consideration dividend payouts linked to consolidated performance, and in connection with the fiscal year ended on March 30, 2006, the Company plans to pay dividends of 70 yen per share, increasing by 30 yen from the previous year. With respect to the internal reserves, the Company intends to utilize it in order to improve its financial standing, as well as to make capital investments in new contact centers and information systems in an endeavor to respond to growth of the Company’s services and improve its service quality. The Company aims to increase the shareholders’ benefits by pursuing profits from growth of its business and increase of added value through new investments and M&A in areas that have synergies with its business. The Company will seek to ensure and enhance its corporate value and shareholder’s common interests by improving growth and profitability realized by these measures, while improving corporate quality through these steps.

## 2. The necessity of implementing a Trust-type Rights Plan

As stated above, the Company intends to formulate a mid-term business plan for 2006 onwards based on the results achieved to date, and promote measures in order to continue to ensure and enhance corporate value and shareholders' interests. However, backed by new laws and changes in corporate culture, recent times have seen the emergence of a trend in Japan towards unilateral and forceful acquisitions of large portion of shares without the consent of the management of the relevant companies.

Needless to say, the Company will not reject such large-scale purchases if they contribute to the Company's corporate value and the common interests of its shareholders. However, large-scale purchases include those that do not contribute to the Company's corporate value and the common interests of its shareholders such as those that obviously violates corporate value and the common interests of shareholders due to their purpose, etc., those that effectively coerce shareholders into selling their shares, those that do not provide sufficient time or information for the board of directors and shareholders of the target company to consider the details of the large-scale purchase and for the board of directors to present an alternative proposal, and those that require the target company to negotiate with the acquirer in order to bring about more advantageous conditions than the conditions offered by the acquirer.

In particular, for the Company to widely promote "Marketing Chain Management" while ensuring and enhancing the Company's corporate value and the common interests of its shareholders, it is critical to maintain its (i) years of *experience* and *know-how* in the call center business, (ii) latest *technology*, (iii) *people* able to organically and continually combine this experience, know-how and technology in a *corporate culture* conducive to innovation, and (iv) stable long-term relationships with a variety of customers that have been built by leveraging its strength as an independent company, and if these elements are not secured and improved in the mid-long term by the acquirer of a large portion of the Company's shares, the Company's corporate value and the common interests of its shareholders will be harmed.

Furthermore, when an acquisition offer is made by an outside acquirer, it is not necessarily easy to obtain sufficient information on the impact on the Company's corporate value and the common interests of its shareholders and make a timely decision based on adequate understanding of the tangible and intangible management resources of the Company, the potential effect of forward-looking measures, the synergies created by organically combining various business fields of the Company and other elements that make up the Company's corporate value.

In addition to these circumstances, based on factors such as the shares issued by the Company being expected to gain increased liquidity in the future, the board of directors has decided to introduce the Trust-type Rights Plan as a mechanism for deterring, within a range of reasonableness, purchases that violate the Company's corporate value and the common interests of its shareholders when large-scale purchases of the Company's shares are made.

The Trust-type Rights Plan is a mechanism that uses a trust to issue rights in advance which could dilute the shareholding ratio of a certain acquirer, and allows these rights to be obtained by all shareholders (other than the Company) when the acquirer appears.

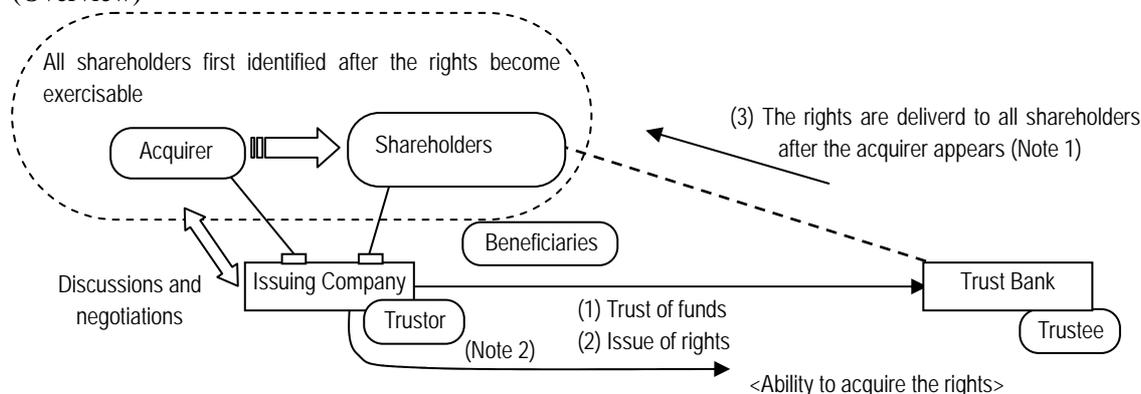
By introducing this mechanism, the board of directors is able to secure the time and information required for shareholders to make decisions on the acquirer and the acquisition proposal, obtain an opportunity and time to explain the Company's business plan and suggest an alternative proposal to the shareholders and negotiate with the acquirer on behalf of shareholders. The Trust-type Rights Plan may be triggered if necessary and appropriate for ensuring and enhancing the Company's corporate value and the common interests of shareholders. Meanwhile, this will be an incentive for the acquirer to make an acquisition proposal to the board of directors in advance and negotiate with the board of directors. As particular objectivity and rationality is required in the consideration of such an acquisition offer, discussions and negotiations with the acquirer, and the decision on whether it is necessary to trigger the Trust-type Rights Plan based on the results of such consideration, discussions and negotiations, an independent committee made up of three outside directors independent from the Company's management shall be established to perform such functions when implementing the Trust-type Rights Plan as stated below.

For the reasons stated above, it has been decided that the introduction of the Trust-type Rights Plan is the best way to ensure and enhance the Company's corporate value and the common interests of shareholders. In order to prepare for issuance of new shares upon the exercise of the Stock Acquisition Rights (as defined in 3. 1) below. The same applies below), the number of authorized shares of the Company will be increased from 90,088,176 to 150,000,000 subject to approval of Proposal No.3 at the AGM, and certain amendments will be made to the articles of incorporation.

### 3. Overview of the Trust-type Rights Plan

An overview of the Trust-type Rights Plan to be introduced by the Company is shown below.

(Overview)



(Note 1) Including the acquirer and excluding the issuing company as a holder of treasury shares.

(Note 2) In addition to its position as a trustor, the issuing company is also in a position of a beneficiary, but does not have any rights with respect to the stock acquisition rights comprising the trust assets, nor acquire them under the trust agreement.

#### (1) Resolution at the general meeting of shareholders

The Company shall issue the Stock Acquisition Rights to Sumitomo Trust and Banking Company, Limited (hereinafter referred to as "Trust Bank") as the trustee of the trust established as shown in 3.2) below without consideration in cases where the offered matters of the offered stock acquisition rights (the First Stock Acquisition Rights for the Trust-type Rights Plan) (hereinafter, the offered stock acquisition rights are referred to individually or collectively as "Stock Acquisition Rights") offered under specially favorable conditions for the purpose of implementing the Trust-type Rights Plan are determined and the amendment to the articles of incorporation of Proposal No.3 is approved at the AGM (See B. "Offered matters of the Stock Acquisition Rights" for further information on the offered matters of the Stock Acquisition Rights and details thereof.).

#### (2) Use of a trust

The Company and the Trust Bank will enter into a trust agreement for funds other than a cash trust with the Company as the trustor and the trust bank as the trustee, and establish a trust (hereinafter referred to as "the Trust") based on this agreement by the allotment date of the Stock Acquisition Rights. The beneficiaries of the Trust are all the shareholders (excluding the Company as a holder of treasury shares) to be identified after an acquirer appears and the Company.

As stated in 1) above, the Company shall issue the Stock Acquisition Rights to the Trust Bank as the trustee of the Trust without consideration subject to approval at the AGM. The Trust Bank shall subscribe for these rights as a performance of trust obligation provided in the trust agreement, and keep the Stock Acquisition Rights for beneficiaries as trust assets.

In the event that an acquirer appears in the future, the Trust Bank, in principle, delivers the Stock Acquisition Rights, corresponding to the number of shares held, to beneficiaries as determined by certain procedures to receive the Stock Acquisition Rights, once the procedures required by laws and ordinances have been followed.

#### (3) Key Details of the Stock Acquisition Rights

One share in the Company, as a general rule, can be acquired upon exercise of one Stock Acquisition Right. The amount per share in the Company of properties to be contributed upon exercise of the Stock Acquisition Rights shall be (i) three times the fair market value of the Company's shares to be calculated in the future in accordance with a certain formula prior to the Exercise Price Change Date and (ii) the equivalent of 0.03% of such fair market value after the Exercise Price Change Date (with any fraction of a

yen shall be rounded up to the nearest whole yen).

Regardless of before, on or after the allotment date of the Stock Acquisition Rights, only after (a) 10-day period passes from the date on which a Public Announcement was made that prescribed acquirers became Specified Large Shareholders; or (b) 10-day period passes from the date on which prescribed acquirers made a public notice of a tender offer which made them Specified Large Purchasers, a person other than the acquirer or its related persons may exercise the Stock Acquisition Rights.

In accordance with the Rules of the Stock Acquisition Rights (set out below in (4)), the board of directors of the Company may determine that the person whose acquisition or holding of the Company's share certificates or other securities is not contrary to the Company's corporate value or the common interests of its shareholders does not fall under any of a Specified Large Shareholder or a Specified Large Acquirer, or it can extend the 10-day period set out in (a) and (b) above.

Objective cancellation conditions have been defined to ensure the Stock Acquisition Rights as shown in B. "Offered matters of the Stock Acquisition Rights" 1.(4)3) and 4) below. The Stock Acquisition Rights may not be exercised if none of Threats occur, or even when one or more of the Threats occur, it is not reasonable in relation to the Threats to allow the Stock Acquisition Rights to be exercised. In addition, the Stock Acquisition Rights may not be exercised if there is an alternative proposal offered or supported by the board of directors of the Company to the acquisition and the alternative proposal involves transfer of control of the Company, and certain other conditions are satisfied.

Unless the board of directors of the Company prevents the occurrence of the Trigger Event ( See B. "Offered matters of the Stock Acquisition Rights" 1.(4)1 ) below), the Company shall, on a date that falls on a date separately specified by the Company's board of directors, acquire all of the Stock Acquisition Rights without consideration in cases where the Company's board of directors recognizes that the Stock Acquisition Rights may not be exercised as stated above, as a general rule ( See B. "Offered matters of the Stock Acquisition Rights" 1.(7)1 ) below).

Generally, the Stock Acquisition Rights may only be exercised during the 3 years from Tuesday, July 18, 2006 to Tuesday, June 30, 2009, and another resolution at the annual general meeting of the Company's shareholders will be needed when continuing the Trust-type Rights Plan after the plan term has passed. See B. "Offered matters of the Stock Acquisition Rights" for definitions and details of the terms used above.

#### **(4) Rules of the Stock Acquisition Rights/ the Independent Committee**

In order to eliminate arbitrary decisions by the Company's board of directors when introducing the Trust-type Rights Plan, the Company's board of directors decide to introduce the Rules of the Stock Acquisition Rights (hereinafter referred to as "the Rules of the Stock Acquisition Rights") as stipulated in Attachment "Material Terms of the Rules of the Stock Acquisition Rights", and establish an Independent Committee according to the Rules of the Stock Acquisition Rights.

The Independent Committee is composed only of members who are highly independent from the Company's management, such as outside of the Company. Furthermore, as a general rule, decisions made by the Independent Committee must be made up of a majority with all Independent Committee Members present.

The Independent Committee will initially be made up of Taiki Yoshioka (a current outside director and candidate for outside director of the Company), Yoshio Takao (a candidate for outside director of the Company) and Yoko Kamiyama (a candidate for outside director of the Company), subject to approval of Proposal No.4. In addition, there is no special relationship between each candidate for members and the Company, and every member is highly independent from the Company's management.

#### **(5) Response when an acquirer appears**

When a large-scale acquisition of the Company is initiated, the Independent Committee decides whether the conditions of exercise of the Stock Acquisition Rights have not been satisfied or whether the Stock Acquisition Rights are to be acquired in accordance with the Rules of the Stock Acquisition Rights, and makes a recommendation to the Company's board of directors, the Company's board of directors decides as a function under the Corporation Law, substantially following the recommendations made by the Independent Committee.

If the Company's board of directors decides, within the prescribed period, that the conditions of exercise of the Stock Acquisition Rights are not satisfied or to acquire the Stock Acquisition Rights without consideration, beneficiaries are not granted Stock Acquisition Rights. Furthermore, the Company's board of directors may postpone the Trigger Event Occurrence Time by substantially following the recommendation from the Independent committee in accordance with the Rules of the Stock Acquisition Rights.

If the above decisions are not made by the Company's board of directors within the prescribed period, as a general rule, the Trigger Event occurs and all shareholders of the Company identified immediately afterwards through certain procedures (including the acquirer and excluding the Company as a holder of treasury shares) are established as beneficiaries of the trust that should be granted the Stock Acquisition Rights, and one Stock Acquisition Rights per share is delivered to these parties by the Trust Bank (However, Non-Qualified Person, the Trust Bank and Non-Residents generally may not exercise the Stock Acquisition Rights as stated in 3)d. above).

If a holder of the Stock Acquisition Rights (hereinafter referred to individually and generally as a "Rights Holder") is granted the Stock Acquisition Rights by the Trust Bank, the Stock Acquisition Rights may be exercised by submitting a Stock Acquisition Rights exercise request in a form designated by the Company, and any other necessary documents shall be attached to the Stock Acquisition Rights exercise request form. The Stock Acquisition Rights may then be exercised by paying to the payment location an amount equivalent to Exercise Price per right.

## **B. Offered matters of the Stock Acquisition Rights**

### **1. Terms and numbers of the offered stock acquisition rights**

75,000,000 Stock Acquisition Rights with the terms set out below.

- (1) Number of shares to be acquired upon exercise of the Stock Acquisition Rights  
The number of shares in the Company to be acquired upon exercise of one Stock Acquisition Right shall be one share.
- (2) The amount of properties to be contributed upon exercise of the Stock Acquisition Rights  
Contributions upon exercise of the Stock Acquisition Rights are to be in cash, and the amount per share in the Company of properties to be contributed upon exercise of the Stock Acquisition Rights (hereinafter referred to as the "Exercise Price") shall be (i) the amount obtained by multiplying the arithmetic mean of the closing price (including quotations) of common shares of the Company in regular trading at the Tokyo Stock Exchange for each trading day (excluding the days on which trades are not made) of the month immediately prior to the month to which the date (hereinafter referred to as the "Exercise Date") on which each of the Stock Acquisition Rights is exercised belongs (provided, however, that adjustment shall be applied appropriately if the Company's board of directors recognizes that a stock split and reverse stock split or any other events that require the Exercise Price to be adjusted occurs in the month immediately prior to the month to which the Exercise Date belongs) (hereinafter referred to as the "Market Price") by three (3) (with any fraction of a yen after such calculation to be rounded up to the nearest whole yen) prior to the date (hereinafter referred to as the "Exercise Price Change Date") immediately following the date on which a person becomes a Specified Large Holder (defined in (4)1(i) below) and (ii) the amount obtained by multiplying the Market Price by three ten-thousandths (3/10,000) (with any fraction of a yen after such calculation to be rounded up to the nearest whole yen) on and after the Exercise Price Change Date.
- (3) Exercise Period of the Stock Acquisition Rights  
The exercise period of the Stock Acquisition Rights begins on Tuesday, July 18, 2006 and ends on Tuesday, June 30, 2009; provided, however, that if the Company acquires the Stock Acquisition Rights in accordance with the provisions in (7)1 and 2) below, the exercise period for the Stock Acquisition Rights with respect to that acquisition ends on the day immediately prior to the relevant acquisition date. In addition, if a Trigger Event (defined in (4)2) below; hereinafter the same.) occurs from and including Thursday, January 1, 2009 to and including Tuesday, June 30, 2009, the exercise period shall extend for 6 months from the date on which the Trigger Event occurs; provided, further, that if the final day of the

exercise period falls on a holiday for the payment place for the cash payable upon exercise, the final day will become the preceding business day.

(4) Conditions for exercise of the Stock Acquisition Rights

1) The terms below are defined as follows.

- (i) “Specified Large Holder” means a person who is a holder (including any person who is included in a “holder” under Article 27-23(3) of the Securities and Exchange Law) of share certificates, etc. (as defined in Article 27-23(1) of the Securities and Exchange Law; the same applies hereinafter unless otherwise provided for) issued by the Company and whose holding ratio of share certificates, etc. (as defined in Article 27-23(4) of the Securities and Exchange Law; the same applies hereinafter) in respect of such share certificates, etc. is at least 20% (including any person who is deemed to fall under the above by the Company’s board of directors).
- (ii) “Public Announcement” means a state in which information is available to a large number of people, including the submission of reports as described in Article 27-23 or Article 27-25 of the Securities and Exchange Law, and the timely disclosure by the Company in accordance with the regulations of the Securities Exchange.
- (iii) “Joint Holder” means a joint holder as defined in Article 27-23(5) of the Securities and Exchange Law, including any person who is deemed to be a joint holder in accordance with Article 27-23(6) of the Securities and Exchange Law (including any person who is deemed to fall under the above by the Company’s board of directors).
- (iv) “Specified Large Purchaser” means a person who makes a public announcement of purchase, etc. (as defined in Article 27-2(1) of the Securities and Exchange Law; the same applies hereinafter) of share certificates, etc. (as defined in Article 27-2(1) of the Securities and Exchange Law; the same applies in this item (iv)) issued by the Company through tender offer (as defined in Article 27-2(6) of the Securities and Exchange Law) and whose ratio of ownership of share certificates, etc. (as defined in Article 27-2(8) of the Securities and Exchange Law; the same applies hereinafter) in respect of such share certificates, etc. owned by such person after such purchase, etc. (including similar ownership as prescribed in Article 7(3) of the Order of the Enforcement of the Securities and Exchange Law) is at least 20% when combined with the ratio of ownership of share certificates, etc. of a Person having a Special Relationship (including any person who is deemed to fall under the above by the Company’s board of directors).
- (v) “Person having a Special Relationship” is defined in Article 27-2(7) of the Securities and Exchange Law (including any person who is deemed to fall under the above by the Company’s board of directors); provided, however, that those persons provided for in Article 3(1) of the Cabinet Ordinance concerning Disclosure of a Tender Offer by an Acquirer other than the Issuing Company are excluded from those persons set out in Article 27-2(7)(i) of the Securities and Exchange Law.
- (vi) An “Affiliated Party” of a given person means a person who substantially Controls, is Controlled by, or is under common Control with such given person (including any person who is deemed to fall under the above by the Company’s board of directors), or a person deemed by the Company’s board of directors to act in concert with such given person. “Control” means to “control the determination of the financial and business policies” (as defined in Article 3(3) of the Enforcement Regulations of the Corporation Law) of other companies or entities.

Notwithstanding (i) and (iv) above, the persons set out in (a) through (e) below are not Specified Large Holders or Specified Large Purchasers:

- (a) The Company, its subsidiaries (as defined in Article 8(3) of the Regulations concerning Terminology, Forms and Method of Preparation of Financial Statements, etc.) or its affiliates (as defined in Article 8(5) of the Regulations concerning Terminology, Forms and Method of Preparation of Financial Statements, etc.);
- (b) A person that the Company’s board of directors recognizes as a person that became a Specified Large Shareholder with no intention to control the Company and that ceased to be a Specified Large Shareholder due to a disposal, etc. of the share certificates, etc. of the Company held within ten (10) days after becoming a Specified Large Shareholder (provided, however, that the ten (10) day period may be extended by the Company’s board of directors);
- (c) A person that the Company’s board of directors recognizes as a person that involuntarily became a Specified Large Shareholder by the Company acquiring treasury stock or for any other reason (excluding cases where the person thereafter newly acquires the Company’s share certificates, etc. at its own discretion); or
- (d) A person acquiring and holding the Stock Acquisition Rights at the time of their issuance as a

- trustee of a trust the settlor of which is the company (this is limited to the person in the capacity of the trustee of the trust, who is hereinafter referred to as "Trustee")
- (e) A person that the Company's board of directors recognizes, in accordance with the rules of the Stock Acquisition Rights separately determined by the Company's board of directors (hereinafter referred to as the "Rules of the Stock Acquisition Rights"), as a person whose acquisition or holding (hereinafter referred to as "Acquisition") of share certificates, etc. of the Company is not contrary to the Company's corporate value or the common interests of shareholders (the Company's board of directors may recognize that it falls under the above at any time regardless of whether the holder of the Stock Acquisition Rights (hereinafter referred to as the "Rights Holder") may exercise the Stock Acquisition Rights according to 3) or 4) below. In cases where the Company's board of directors recognizes that the Acquisition is not contrary to the Company's corporate value or common interests of shareholders under certain conditions, such recognition is effective to the extent that these conditions are satisfied.).
- 2) Regardless of before, on or after the allotment date of the Stock Acquisition Rights, only after (a) 10-day period (provided, however, that the Company's board of directors may extend this period in accordance with the Rules of the Stock Acquisition Rights) passes from the date on which a Public Announcement was made that one or more persons became Specified Large Shareholders; or (b) 10-day period (provided, however, that the Company's board of directors may extend this period in accordance with the Rules of the Stock Acquisition Rights) passes from the date on which one or more persons made a public notice of a Tender Offer which made them Specified Large Purchasers (this together with (a) are referred to as a "Trigger Event", and the time at which any Trigger Event occurs shall be referred to as the "Trigger Event Occurrence Time"), a person who does not fall under any of the persons listed in (i), (ii), (iii), (iv), (v) or (vi) below may exercise the Stock Acquisition Rights: (i) Specified Large Holders, (ii) Joint Holders with the Specified Large Holders, (iii) Specified Large Purchasers, (iv) Persons having a Special Relationship with the Specified Large Purchasers, (v) persons accepting or succeeding to the Stock Acquisition Rights from the persons listed in any of (i), (ii), (iii) or (iv) without the approval of the board of directors of the Company, or (vi) Affiliated Party to a person who falls under any of item (i), (ii), (iii), (iv) or (v) (the person falling under any of items (i) through (vi) are hereinafter collectively referred to as the "Non-Qualified Person").
- 3) Regardless of paragraph 2) above, in cases where a Trigger Event occurs with respect to an Acquisition by a certain person, the Stock Acquisition Rights may not be exercised if (i) none of the events provided below (hereinafter referred to as "Threats") occur, or (ii) even when one or more of the Threats occur, it is not reasonable in relation to the Threats to allow the Stock Acquisition Rights to be exercised. Whether or not (i) or (ii) above are satisfied shall be determined in accordance with the procedures provided in the Rules of the Stock Acquisition Rights.
- (1) There is a threat that the Acquisition would obviously harm the corporate value of the Company and the common interests of shareholders through any of the following actions;
- (a) A buyout of the Company's shares to require such shares to be purchased by the Company at a high premium.
  - (b) Management that achieves an advantage for the Acquirer to the detriment of the Company, including temporary gaining control of the Company for the acquisition of the Company's material assets at a discount price.
  - (c) Diversion of the Company's assets to secure or repay debts of the Acquirer or its group companies.
  - (d) Temporarily gaining control of the Company to dispose of high-value assets that have no current relevance to the Company's business and either temporarily making high dividend payouts from the profits of the disposal, or selling the shares at a high price taking advantage of the opportunity afforded by the sudden rise in share prices created by the temporary high dividends.
- (2) The transaction structure of the Acquisition coerces shareholders of the Company into accepting the Acquisition;
- (3) Adequate information on the Acquisition are not provided to the shareholders or the Company's board of directors, or there is not period of time reasonably necessary to produce an alternative proposal to the Acquisition;
- (4) The terms and conditions of the Acquisition (including price and type of the consideration, timing of the Acquisition, legality of the measure of the Acquisition, probability of the closing of the Acquisition, and policy of treatment of the employees, business partners and other stakeholders of

- the Company) are inadequate or inappropriate in light of the intrinsic value of the Company; or
- (5) In addition to (1) to (4) above, the Acquisition or the transaction thereof materially threatens to be against the Company's corporate value and the common interests of its shareholders (taking into consideration the interests of employees, business partners and other stakeholders.).
  - 4) In addition to paragraph 3) above, in cases where a Trigger Event occurs with respect to an Acquisition by a certain person, a Rights Holder may not exercise such Stock Acquisition Rights if there is an alternative proposal, offered or supported by the board of directors of the Company, other than the Acquisition and the alternative proposal involves transfer of control of the Company (this refers to an action by which a certain person holds majority of the voting rights of all shareholders of the Company), and if (i) the Acquisition is implemented solely through a tender offer to purchase all share certificates issued by the Company in cash; (ii) the Acquisition does not cause any obvious harms to the corporate value of the Company or common interests of its shareholders through actions including that listed in any of 3)(1)(a), (b), (c) or (d) above; (iii) The structure of the transaction of the Acquisition does not coerce the shareholders of the Company into accepting the Acquisition; and (iv) the Acquisition or the transaction thereof does not materially threaten to be contrary to the corporate value of the Company or the common interests of its shareholders. Whether or not the Acquisition falls under any of the above cases shall be determined in accordance with the procedures provided in the Rules of the Stock Acquisition Rights.
  - 5) In addition to 3) and 4) above, under the applicable foreign laws and ordinances, if a person located under a jurisdiction of such laws and ordinances is required for the purposes of exercising the Stock Acquisition Rights to (i) perform certain procedures, (ii) satisfy certain conditions (including prohibition of exercise for a certain period of time or submission of specified documents), or (iii) both perform such procedures and satisfy such conditions (collectively, the "Governing Law Exercise Procedures and Conditions"), such person may exercise the Stock Acquisition Rights only if the Company's board of directors recognizes that it fully performs or satisfies the Governing Law Exercise Procedures and Conditions, and such person may not exercise the Stock Acquisition Rights if the Company's board of directors does not recognize that it satisfies the Governing Law Exercise Procedures and Conditions; provided, however, that the Company shall bear no obligation to implement or satisfy any Governing Law Exercise Procedures and Conditions which are required in order for the person locates in such jurisdiction to exercise the Stock Acquisition Rights. In addition, if a person located under such jurisdiction is not permitted to exercise the Stock Acquisition Rights under such laws and ordinances, such person who locates in such jurisdiction may not exercise the Stock Acquisition Rights.
  - 6) Notwithstanding 5) above, a person located in the United States may exercise the Stock Acquisition Rights, only if (i) such person represents and warrants that it is an accredited investor as defined in Rule 501(a) of the U.S. Securities Act of 1933, and (ii) such person covenants to resell the shares of the Company to be acquired upon exercise of the Stock Acquisition Rights held by such person only through a regular transaction at the Tokyo Stock Exchange (not on the basis of any previous arrangements and without previous solicitation). In such case only, the Company shall perform or satisfy the Governing Law Exercise Procedures and Conditions under Regulation D of the U.S. Securities Act of 1933 and U.S. state laws that are required to be performed or satisfied by the Company for exercise of the Stock Acquisition Rights by a person located in the United States. A person located in the United States shall not exercise the Stock Acquisition Rights if the Company's board of directors determines that such party is not permitted to legally exercise the Stock Acquisition Rights under the U.S. Securities Act due to a change in the law of the United States or some other reason, even though such person satisfies the conditions as described in (i) and (ii) above.
  - 7) The Trustee may not exercise the Stock Acquisition Rights in the capacity of the Trustee.
  - 8) A Rights Holder may exercise the Stock Acquisition Rights by using the method stipulated in (10) below only if the Rights Holder submits to the Company a written statement in which the holder undertakes representations and warranties, including, but not limited to, the fact that the Rights Holder is not a Non-Qualified Person, nor a person that has any intention to exercise the Stock Acquisition Rights on behalf of a Non-Qualified Person, provisions for indemnification and other matters prescribed by the Company.
  - 9) Even if a Rights Holder is unable to exercise the Stock Acquisition Rights in accordance with 2) to 8) above, the Company shall not be liable to such Rights Holder of the Stock Acquisition Rights for damages or any other obligations in any respects.
- (5) Capital and capital reserve to be increased upon issuance of shares by exercise of the Stock Acquisition Rights

The capital to be increased upon issuance of shares by exercise of the Stock Acquisition Rights shall be equal to the aggregate of the maximum increased capital amount, etc. to be calculated in accordance with Article 40 of the Company Calculation Rules, and the capital reserve shall not be increased.

(6) Restrictions on acquisition of the Stock Acquisition Rights by means of assignment

Any Acquisition of the Stock Acquisition Rights by means of assignment requires approval of the Company's board of directors.

If a person who intends to assign the Stock Acquisition Rights is located outside Japan and is unable to exercise the Stock Acquisition Rights in accordance with (4)5) and (4)6) above (excluding a Non-Qualified Person), then the Company's board of directors shall determine if it gives such approval as described in the above paragraph considering the following matters:

- 1) With regard to complete or partial assignment of the Stock Acquisition Rights by a person located in the relevant jurisdiction, the assignor shall submit an undertaking letter (including documents containing representations and warranties and indemnity clauses regarding (6)2) through (6)4) below) prepared and signed or sealed with printed name by the assignee.
- 2) The assignee does not fall under a Non-Qualified Person.
- 3) The assignee shall not be located in the relevant jurisdiction or be attempting to receive the assignment on behalf of a person located in the relevant jurisdiction.
- 4) The assignee shall not be attempting to receive the assignment on behalf of a Non-Qualified Person or be attempting to receive the assignment on behalf of a person located in the relevant jurisdiction as stipulated in 3).

(7) Acquisition of the Stock Acquisition Rights by the Company

- 1) In cases where a Trigger Event occurs with respect to an Acquisition by a certain person and the Company's board of directors recognizes that the Stock Acquisition Rights may not be exercised in accordance with (4)3) or 4) above, the Company shall acquire all of Stock Acquisition Rights on a date that falls on a date separately specified by the Company's board of directors without consideration; provided, however, that this does not apply if the Company's board of directors determines that, in accordance with (4)1)(e) above, the Acquirer falls under a person described in (4)1)(e) above.
- 2) In addition to 1) above, at any time on or until a Trigger Event Occurrence Time, if the Company's board of directors recognizes that it is appropriate for the Company to acquire the Stock Acquisition Rights, the Company may, on a date that falls on a date separately specified by the Company's board of directors, acquire all of Stock Acquisition Rights without consideration.

(8) Delivery of the Stock Acquisition Rights in the case of merger, corporate division, share exchange or share transfer

In the event the Company is involved in a merger by absorption where it becomes the absorbed corporation, a merger by incorporating a new company where it becomes the expired corporation, a corporate division by absorption where it becomes the absorbed corporation, a corporate division by incorporating a new company where it becomes the new company, a share exchange where it becomes the wholly-owned subsidiary, or a share transfer where it becomes the wholly-owned subsidiary (hereinafter collectively referred to as "Reorganization"), if the Stock Acquisition Rights have not been exercised or been acquired by the Company at the time the Reorganization comes into effect, new stock acquisition rights shall be delivered to the Rights Holder by the surviving company in a merger by absorption, the new company in a merger by incorporating a new company, the surviving company in a corporate division by absorption, the new company in a corporate division by incorporating a new company, the parent company in a share exchange or the parent company in a share transfer (hereinafter collectively referred to as "Reorganized Companies") in accordance with the following conditions; provided, however, that approval by the Company's general meeting of shareholders is required for proposals of the agenda regarding the approval of agreements on mergers by absorption, agreements on mergers by incorporating a new company, corporate divisions by absorption, plans for corporate divisions by incorporating a new company, share exchange agreements and share transfer plans with provisions in accordance with the following conditions with respect to the delivery of new stock acquisition rights instead of the Stock Acquisition Rights.

- 1) Number of stock acquisition rights newly delivered  
This shall be reasonably adjusted according to the terms and conditions of the Reorganization based on the number of Stock Acquisition Rights held by the Rights Holder. The number of shares after adjustment shall be rounded down to the nearest whole number.
- 2) Class of shares to be acquired upon exercise of the newly delivered stock acquisition rights  
The same class of shares in the Reorganized Company as those acquired upon exercise of the Stock Acquisition Rights.

- 3) Number of shares to be acquired upon exercise of the newly delivered stock acquisition rights  
The number is to be reasonably adjusted in consideration of the terms and conditions of the Reorganization. The number of shares after adjustment shall be rounded down to the nearest whole number.
  - 4) The amount of properties to be contributed upon exercise of the newly delivered stock acquisition rights  
The amount is to be reasonably adjusted in consideration of the conditions of the Reorganization. The amount after adjustment shall be rounded up to the nearest yen.
  - 5) Exercise Period of the newly delivered stock acquisition rights, conditions for exercising the stock acquisition rights, capital and capital reserve to be increased upon issuance of shares by exercise of the newly delivered stock acquisition rights, delivery of the stock acquisition rights in the case of reorganization and acquisition of the newly delivered stock acquisition rights by Reorganized Companies  
Those are to be determined upon the Reorganization by applying (3) to (5), (7) and (8) above with necessary adjustments.
  - 6) Restrictions on acquisition of the newly delivered stock acquisition rights by assignment  
Acquisition of the newly delivered stock acquisition rights by assignment requires the approval of the Company's board of directors of Reorganized Companies. When the assignor is a person located outside of Japan that may not exercise the stock acquisition rights due to (4)5) or 6) (excluding a Non-Qualified Person), the Company's board of directors of the Reorganized Company determines whether or not approval should be given in consideration of the matters in (6) 1) to 4) above.
- (9) Issuance of certificates representing the Stock Acquisition Rights  
Certificates representing the Stock Acquisition Rights will not be issued.
- (10) Method for exercising the Stock Acquisition Rights
- 1) The Stock Acquisition Rights shall be exercised by submitting a Stock Acquisition Rights exercise request in a form prescribed by the Company (including representations and warranties, including that the Right Holder is not a Non-Qualified Person, nor is attempting to exercise the Stock Acquisition Rights for any such person, and indemnity clauses) indicating necessary information such as the details and number of the Stock Acquisition Rights to be exercised and the exercise date for the Stock Acquisition Rights. This form shall be sealed with printed name and any documents, from time to time, required to exercise the Stock Acquisition Rights and other documents required by the Corporation Law, the Securities and Exchange Law and other laws and ordinances and their related regulations(including regulations such as those issued by the Japan Securities Dealers Association and domestic stock exchanges) and any other documents required at the time (hereinafter referred to as the "Attached Documents") shall be attached to the Stock Acquisition Rights exercise request form. In addition, the amount of money to be contributed upon exercise of the Stock Acquisition Rights as stated in (2) above shall be paid to the payment place.
  - 2) A request to exercise the Stock Acquisition Rights shall be effective upon the arrival of the Stock Acquisition Rights exercise request form and all Attached Documents at the payment place in accordance with 1) above.
- (11) Revision due to amendment to laws and ordinances  
The provisions of the laws and ordinances referred to above are subject to the provisions that will come into effect as of May 22, 2006. If the meanings of the provisions or terms as set forth in each item above require revision due to the enactment, amendment or abolishment of laws and ordinances after May 22, 2006, the Company's board of directors may accordingly read the meanings of the provisions or terms as set forth in each item above to the reasonable extent as required, taking into consideration the purposes of such enactment, amendment or abolishment.
- 2. Amount paid in exchange for the offered stock acquisition rights**  
No payment is required in exchange for the offered stock acquisition rights.
  - 3. Allotment Date of the offered stock acquisition rights**  
Tuesday, July 18, 2006
  - 4. Payment place of the amount of money to be contributed upon exercise of the offered stock acquisition rights**

The Sumitomo Trust & Banking Co., Ltd. Tokyo Corporate Business Department

1-4-4, Marunouchi, Chiyoda-ku, Tokyo

(or, to the new address in the event the department is relocated, or, in the event the department is consolidated or ceases its operations, to the head office or a branch taking over the department's services and its new address; hereinafter referred to as the "Payment Location")

**5. Other**

The provisions herein are on the condition of the notification according to the Securities and Exchange Law being made effective.

(Attachment) Material Terms of the Rules of the Stock Acquisition Rights

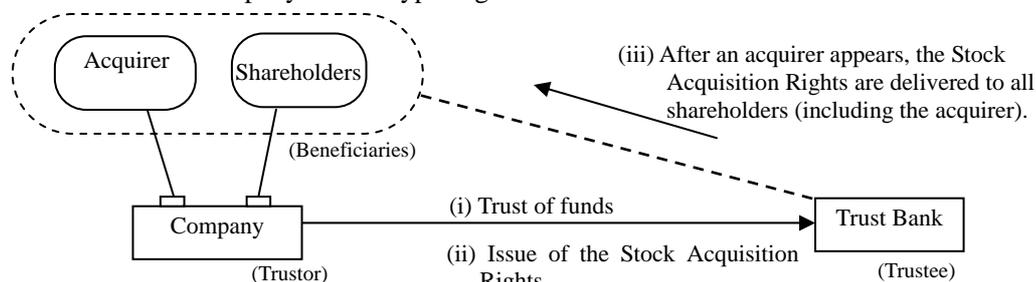
The Material Terms of the Rules of the Stock Acquisition Rights to be adopted by the Company's board of directors are as follows:

- The Independent Committee shall be established based on a resolution by the Company's board of directors.
- There shall be no less than three (3) members of the Independent Committee, and the Company's board of directors shall elect the members from (i) outside directors of the Company, (ii) outside statutory auditors of the Company and (iii) other experts who are independent from the management that conducts the execution of the business of the Company. However, such experts must be experienced corporate managers, parties with knowledge of the investment banking industry or the Company's business field, lawyers, certified public accountants, researchers whose research focuses on the Corporation Law of Japan or the like, or parties of similar qualifications, and must have executed with the Company an agreement separately specified by the Company's board of directors that contains a provision obligating them to exercise the duty of care of a good manager or similar provision.  
Unless otherwise determined by a resolution of the Company's board of directors, the term of office of members of the Independent Committee shall be until the conclusion of the ordinary general meeting of shareholders relating to the final fiscal year ending within three (3) years after the conclusion of the Ordinary General Meeting of Shareholders. However, the term of office of any member of the Independent Committee who is an outside director or outside statutory auditor shall end simultaneously in the event that they cease to be a director or statutory auditor (except in the case of their re-appointment).
- The Independent Committee shall make decisions on the following matters and makes recommendations to the Company's board of directors containing the details of and reasons for the recommendation.. The Company's board of directors shall substantially follow the recommendations made by the independent committee and make decisions as a function under the Corporation Law of Japan. Each member of the Independent Committee and each director of the Company must make such decisions solely with a view to whether or not the corporate value of the Company and the common interests of its shareholders will be enhanced, and they must not serve the purpose of their own interests or those of the management of the Company.
  - (1) The non-occurrence of a Trigger Event for the Stock Acquisition Rights, and postponement of Trigger Event Occurrence Time.
  - (2) Conditions for exercising the Stock Acquisition Rights not being satisfied or acquisition of the Stock Acquisition Rights without consideration.
  - (3) Any other matters that are for determination by the Company's board of directors in respect to which it has consulted the Independent Committee.
- In addition to the items stipulated above the Independent Committee conducts the matters listed below.
  - (1) Examination and consideration of the terms of acquisition offers.
  - (2) Negotiations and discussion with the acquirer.
  - (3) Request for an alternative proposals and consideration of alternative proposal.
  - (4) Any matters that the Company's board of directors separately determines that the Independent Committee may conduct.
- If it is necessary in order to have the terms of the acquisition offer from an acquire revised from the standpoint of ensuring and enhancing the Company's corporate value and the common interests of its shareholders, the Independent Committee shall either directly or indirectly discuss and negotiate with the acquirer or present to shareholders the alternative proposal from the Company's board of directors or conduct any similar action.
- In order to collect necessary information, the Independent Committee may request the attendance of the directors, statutory auditors, employees of the Company or any other part that the Independent Committee considers necessary, and may require explanation of any matter it requests.
- The Independent Committee may, at the Company's expense, obtain the advice of an independent third party (including experts such as financial advisers, certified public accountants, lawyers and consultants).
- Any member of the Independent Committee may convene a meeting of the Independent Committee when an acquisition offer is made or at any other time.
- As a general rule, resolutions of meeting of the Independent Committee shall pass with a majority with all Independent Committee Members present. However, in unavoidable circumstances a resolution may pass with a majority of voting rights when a majority of the members of the Independent Committee are present.

## Q&A regarding Trust-type Rights Plan

### Q.1 What is the mechanism of the Trust-type Rights Plan?

A. The mechanism of the Company's Trust-type Rights Plan is as follows:



- (1) First, the Company enters into a trust agreement with The Sumitomo Trust & Banking Co., Ltd. ("STB") and entrusts cash to STB.
- (2) Next, the Company issues the Stock Acquisition Rights to STB as the trustee of the trust without consideration. The Stock Acquisition Rights will be kept by STB as trust assets until they are delivered to the future shareholders of the Company upon the appearance of an acquirer (for the details of the Stock Acquisition Rights, please see Q.4 below).
- (3) If an acquirer appears and the Stock Acquisition Rights are to be delivered to the shareholders, the Stock Acquisition Rights will be delivered directly from STB to the Company's shareholders.

### Q.2 Why will the Trust-type Rights Plan function as a takeover defense measure?

A. If the Trust-type Rights Plan is triggered and the acquirer actually comes to hold 20% or more of shares in the Company or a similar situation arises, the Company's shareholders (other than the acquirer and its related persons) will be able to receive the Company's shares at a price substantially below the fair market value through the exercise of the Stock Acquisition Rights (please see Q.7 below).

Meanwhile, although the acquirer and its related persons will also receive the Stock Acquisition Rights, for as long as they hold the Stock Acquisition Rights, it will be impossible for them to exercise the Stock Acquisition Rights without the approval of the Company's Board of Directors. As a result, an acquirer or the like who attempts to push through a unilateral acquisition of the Company's share certificates etc. will be exposed to risks such as the decline of its shareholding ratio and the decrease of the total value of shares in the Company they hold (i.e. "dilution").

The anticipated effect of such a mechanism is that acquirers will, rather than trying to push through the acquisition at the risk of dilution, be more motivated to disclose information on the acquisition to the Company and follow other procedures in advance and be more motivated to discuss about the acquisition with the Company, in order to avoid the triggering of the Trust-type Rights Plan.

In this way, the Trust-type Rights Plan has an effect to, by providing a tool that would disadvantage an acquirer who attempts to push through a unilateral acquisition, prevent such unilateral acquisitions, ensure time and information necessary for shareholders to decide whether or not to accept the acquisition proposal, and create an opportunity for the Company to negotiate with the acquirer on behalf of the shareholders. It is in this sense that the Trust-type Rights Plan is expected to function as a takeover defense measure.

### Q.3 What are the reasons for adopting the Trust-type Rights Plan as a defense measure against hostile takeovers?

A. Apart from this Trust-type Rights Plan, there are various defense measures against hostile takeovers, such as an advance-notice-type defense measure (which is a type of takeover defense measure where a company gives advance warning by prescribing certain procedures to be followed by an acquirer, and announcing that the company may take countermeasures against the acquirer who violates such procedures or obviously harms the corporate value).

The distinguishing characteristic of the Trust-type Rights Plan as a takeover defense measure is that it is designed to more properly reflect the intention of the shareholders than other measures, with a special resolution of the shareholders' meeting intended to be an essential requisite for the introduction, and re-introduction after the end of the effective period, of the Trust-type Rights Plan.

Having comprehensively examined the measure from a multitude of angles after taking into consideration, in addition to the characteristic mentioned above, such factors as the fact that the measure is legally stable due to the issue of the Stock Acquisition Rights on favorable terms being resolved in advance, the fact that specific terms of the Trust-type Rights Plan are clearly and rationally designed from the beginning and are fully disclosed to shareholders and investors, the Company's Board of Directors has concluded that the Trust-type Rights Plan is the most appropriate decision for a takeover defense measure to be adopted by the Company at this moment, and that the adoption of the Trust-type Rights Plan is the most desirable measure for the interests of the Company and its shareholders.

**Q.4 What are stock acquisition rights?**

- A. Stock acquisition rights are rights entitling their holders to demand, by exercising the rights, that the Company issue and deliver the Company's shares to the holder.

Under the Trust-type Rights Plan, terms of the Stock Acquisition Rights such as the conditions of exercise and the exercise period are rationally specified so that the Trust-type Rights Plan will be used to the extent that the Trust-type Rights Plan contributes to the common interests of shareholders (for details, please see Offered Matters of the Stock Acquisition Rights under Section 2 of the Seventh Item of Business contained in the reference documents attached to the convocation notice).

**Q.5. What happens when an acquirer appears after the introduction of the Trust-type Rights Plan?**

- A. When an offer is made for acquisition of 20% or more of the Company's shares or a similar situation arises, the Independent Committee will collect information on the details of the acquisition proposal and, if necessary, negotiate with the acquirer.

If it is consequently determined that the acquisition proposal does not harm the Company's corporate value or the common interests of its shareholders, then the Company will decide not to trigger the Trust-type Rights Plan by, for example, acquiring the Stock Acquisition Rights without consideration. In this case, the Stock Acquisition Rights will not be delivered to shareholders.

On the other hand, if the above decision is not made in response to an acquisition proposal, then as a general rule a Trigger Event will occur, and the Stock Acquisition Rights will be delivered from STB to the shareholders at that time in accordance with certain procedures.

Further, if it is necessary to collect more information or conduct further negotiations, the Company may reserve the triggering of the Trust-type Rights Plan and postpone the Time of the Occurrence of the Trigger Event.

**Q.6 Why is the minimum shareholding ratio for triggering the Trust-type Rights Plan set at 20%?**

- A. The Company established a rational standard for a scale of acquisitions that may pose a threat to the Company's corporate value and the common interests of its shareholders, based on references such as the voting guidelines of institutional investors in and out of Japan including that of the Institutional Shareholder Services.

**Q.7 Who can receive Stock Acquisition Rights and how many? What should a shareholder do after receiving Stock Acquisition Rights?**

- A. Under the Trust-type Rights Plan, one Stock Acquisition Right per share will be delivered to the Company's shareholders, who will be identified after an acquirer appears in the future, in proportion to the number of the Company's shares held by each shareholder.

Future shareholders of the Company other than the acquirer and its related persons will receive one share

of the Company for each Stock Acquisition Right when the shareholder (a) submits, upon filling out all the necessary information, the request form for exercise of Stock Acquisition Rights, which are delivered to shareholders after an acquirer appears, together with any other documents and materials required by laws and ordinances (the details of which will be notified at a later date) to the payment place (the Tokyo Corporate Business Department of The Sumitomo Trust & Banking Co., Ltd.) and (b) pays in the amount equivalent to the prescribed exercise price (please see Q.4 below for the amount of the exercise price).

Upon the exercise of Stock Acquisition Rights, shareholders may be requested to submit documents such as the written undertakings stating that the shareholder is not the acquirer or its related person. The Company will separately notify the shareholders if any such documents are required.

#### Q.8 Why is the Trust-type Rights Plan considered reasonable?

- A. The Trust-type Rights Plan has the characteristics described in the table below, and its purpose is to contribute to ensuring and enhancing the Company's corporate value and the common interests of its shareholders. Because of this, the Trust-type Rights Plan is considered to be highly reasonable.

Item	Characteristics of the Company's takeover defense measure
Shareholders' intention	Special resolution (which requires two-thirds or more votes) of the shareholders' meeting required for introduction and renewal of the plan
Determination of the Independent Committee	<ul style="list-style-type: none"> <li>● An Independent Committee composed of only three highly independent outside directors (scheduled to be appointed) is intended to determine matters such as the non fulfillment of the conditions for exercise of Stock Acquisition Rights.</li> <li>● Establishment of detailed exercise conditions and events for acquisition of Stock Acquisition Rights, so that the defense measure will be used in a limited manner and only to the extent necessary and reasonable (specifying the objective requirements for cancelling the defense measure).</li> <li>● The procedures to be followed and the factors to be considered by the Independent Committee for negotiating with the acquirer and determining whether the Trust-type Rights Plan should be triggered will be expressly provided for in the Rules of the Stock Acquisition Rights (for the outline of such rules, please see the Schedule 'Material Terms of the Rules of the Stock Acquisition Rights' of the Seventh Item of Business contained in the reference documents attached to the convocation notice) and disclosed in advance.</li> </ul>
Trigger level	Acquisition or offer of acquisition of 20% or more of shares in the Company.
Effective period (sunset clause)	<ul style="list-style-type: none"> <li>● Three years</li> <li>● Special resolution of the shareholders' meeting is separately required for renewal.</li> </ul>
Composition of the Board of Directors	Three directors out of all twelve directors will be highly independent outside directors (These three independent outside directors are scheduled to be appointed at this Ordinary General Meeting of Shareholders.) .
Term of office of directors	One year (scheduled to be amended at this Ordinary General Meeting of Shareholders.)
Disclosure of information such as the purpose, triggering requirements and procedures	The Company intends to make sufficient disclosure of information through its press releases, items of business of the shareholders' meeting, reference documents, Q&A and the shareholders' meeting proceedings.
Other takeover defense	None.

measures implemented (such as staggered board)	
Dead-Hand pill aspect	None. (As a result of a proxy fight, a Board of Directors made up of directors appointed with the endorsement of many shareholders can also acquire Stock Acquisition Rights without consideration.)
Delivery of convocation notice	Convocation notice of the shareholders' meeting is scheduled to be dispatched at least three weeks prior to the date of the shareholders' meeting.

**Q.9 Is it possible to stop the triggering of the Trust-type Rights Plan after its introduction?**

- A. Even if the Trust-type Rights Plan is introduced and Stock Acquisition Rights are issued to STB, the Company may abolish the Trust-type Rights Plan at any time before the Trust-type Rights Plan is triggered, by acquiring the Stock Acquisition Rights without consideration.

Further, if it is determined that the Stock Acquisition Rights may not be exercised for reasons such as that the acquisition enhances the Company's corporate value, then as a general rule, the Company must acquire the Stock Acquisition Rights without consideration and cease the triggering of the Trust-type Rights Plan. In this way, under this mechanism, even if the Trust-type Rights Plan is introduced, the Trust-type Rights Plan may be abolished or its triggering may be ceased.

**Q10. Under the conditions for exercise of the Stock Acquisition Rights in the Trust-type Rights Plan, foreign residents who are required under applicable foreign laws and ordinances to perform certain procedures to exercise the Stock Acquisition Rights may not as a general rule exercise the Stock Acquisition Rights. Will foreign residents suffer any disadvantage by the Trust-type Rights Plan?**

- A. First, if no procedures such as registration obligations of securities are required upon the acquisition or exercise of the Stock Acquisition Rights under the Trust-type Rights Plan pursuant to the applicable laws and ordinances in the country in which foreign-resident shareholders are located, then those foreign residents may also exercise the Stock Acquisition Rights.

Also, even if there are certain procedures such as registration obligations of securities required upon the acquisition or exercise of Stock Acquisition Rights under the Trust-type Rights Plan pursuant to the applicable laws and ordinances in the country in which foreign-resident shareholders are located, in case where it is determined that an exemption provision may be used with respect to those foreign-resident shareholders (for example, cases where an accredited investor as defined in Rule 501(a) of the United States Securities Act of 1933 satisfies requirements such as Regulation D of the same Act), then as a general rule those foreign residents may exercise the Stock Acquisition Rights.

**Q.11 Please explain the exercise price of the Stock Acquisition Rights.**

- A. The exercise price of the Stock Acquisition Rights to be issued for the Trust-type Rights Plan at this time (the amount per share of the Company to be delivered) shall be (i) three times the fair market value of the Company's shares to be calculated in the future in accordance with a certain formula prior to the time when an acquirer or the like actually comes to hold 20% or more of the Company's shares, and (ii) the equivalent of 0.03% of such fair market value at any time thereafter (with any fraction of a yen shall be rounded up to the nearest whole yen). The exercise price is designed in this way because, whereas before an acquirer or the like actually acquires 20% or more of the Company's shares, it is rational to require the payment of a price higher than the fair market value of the Company's shares for the exercise of the Stock Acquisition Rights, if an acquirer or the like actually acquires 20% or more of the Company's shares, it is consistent with the purpose of the Trust-type Rights Plan to allow the Stock Acquisition Rights to be exercised at a price substantially below the fair market value.

**Q.12 What burdens will shareholders be subject to as a result of the introduction of the Trust-type Rights Plan?**

- A. At the initial introduction of the Trust-type Rights Plan, shareholders will not be asked to bear any direct burdens.

When the Trust-type Rights Plan is triggered after the appearance of an acquirer, future shareholders of the Company other than the acquirer and its related persons will be granted Stock Acquisition Rights. Since, as described in Q.11 above, the exercise price of the Stock Acquisition Rights (the amount per Company's share to be delivered) shall be (i) three times the fair market value of the Company's shares to be calculated in the future in accordance with a certain formula prior to the time when an acquirer or the like actually comes to hold 20% or more of the Company's shares, and (ii) the equivalent of 0.03% of such fair market value at any time thereafter (with any fraction of a yen shall be rounded up to the nearest whole yen), if a shareholder exercises its Stock Acquisition Rights, then the shareholder must bear the amount equivalent to such exercise price.

If you have any questions with respect to the above, please contact the Company's department in charge set out below.

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