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Securities Code: 9715

June 4, 2008

## 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 23<sup>rd</sup> ANNUAL GENERAL MEETING OF SHAREHOLDERS

You are cordially invited to attend the 23<sup>rd</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 2).

Please review the Reference Documents for the Annual General Meeting of Shareholders shown in the following pages and either return the Voting Rights Exercise Form with your vote by postal mail or vote via the Internet by 5:50 p.m. of June 24, 2008 (Tuesday).

**1. Date and Time:** 10:00 a.m., Wednesday, June 25, 2008

**2. Place:** Aoyama Diamond Hall 1<sup>st</sup> Floor (Diamond Room)  
6-8, Kita-Aoyama 3-chome, Minato-ku, Tokyo

### 3. Agenda of the Meeting:

#### Matters to be reported:

1. Business Report, Consolidated Financial Statements and results of audits by the Accounting Auditor and the Board of Statutory Auditors of the Consolidated Financial Statements for the 23<sup>rd</sup> Fiscal Term (from April 1, 2007 to March 31, 2008)
2. Financial Statements for the 23<sup>rd</sup> Fiscal Term (from April 1, 2007 to March 31, 2008)

#### Proposals to be resolved:

- Proposal No. 1:** Appropriation of Surplus for the 23<sup>rd</sup> Fiscal Term  
**Proposal No. 2:** Election of Thirteen Directors  
**Proposal No. 3:** Election of One Statutory Auditor

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1. For those attending, please submit the enclosed Voting Rights Exercise Form at the reception desk on arrival at the meeting.
  2. Please be notified beforehand that if it becomes necessary to amend any matters related to the contents described in the attached Reference Documents for the Annual General Meeting of Shareholders, Business Report, Financial Statements, or Consolidated Financial Statements 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/>).

## Procedures for the Exercise of Voting Rights via the Internet

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 5:50 p.m. of June 24, 2008 (Tuesday). 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, 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® Internet Explorer 5.5 SP2 (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 128bit SSL 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® 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; within Japan only)
Request for forms to correct address:	(Toll free) 0120-175-417 (accessible 24 hours; within Japan only)
Other inquiries:	(Toll free) 0120-176-417 (Weekdays 9 a.m. - 5 p.m.; within Japan only)

## TSE Platform for the Electronic Exercise of Voting Rights

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, 2007 to March 31, 2008)

**1. Business Overview of the Group**

**(1) Progress and Results of Operations**

The Japan's economy was in a mild recovery trend, but, with the steep decline in share prices caused by the rapid rise in crude oil prices, the subprime mortgage crisis in the U.S., and other factors, and the impact of developments like ongoing yen appreciation, there is now growing uncertainty regarding consumer spending and the future of the economy. On the other hand, despite the obvious slowdown in the U.S. economy, the economies of Russia, China, India, and the Middle East continued to grow at a rapid rate.

In the corporate sector, there have been signs of caution in capital expenditures, but corporate earnings continue to improve gradually, capital expenditures are still growing, and companies appear to be taking greater advantage of outsourcing in hopes of cutting costs and improving operations.

Against that background, Japan's Internet advertising market, a market that actively engages the Group's Digital Marketing Service, exceeded 600 billion yen in fiscal 2007, according to "2007 Advertising Expenses in Japan (from January to December, 2007)" released by Dentsu Inc. The primary growth driver for the market was SEM (Search Engine Marketing) market, which grew to 128.2 billion yen (137.8% increase year on year) as companies focused on improving the cost-effectiveness. Meanwhile, the mobile advertising, whose market size was valued at 62.1 billion yen (159.2% increase year on year), contributed to overall Internet advertising market expansion as growing mobile phone subscriptions and increasing connection speeds and transmission volumes, against the backdrop of rising 3G handset adoption and acceptance of fixed telecommunication charge services, invigorated corporate promotion activities. Regarding "call center services", the results of "2007 Survey on Sales by Tele-Marketing (covering the period from October 2006 to September 2007)" conducted by *Nihon Ryutsu Sangyo Shimbun* (Japan Distribution Industry Newspaper) indicated that the industry's top 30 companies saw their total sales rise 115% year on year, to 460 billion yen. Demand for call center services continues to expand steadily with the help of deregulatory changes in the financial, telecommunications, and other sectors.

Apart from the above services, segments of the Company group specialized in information services offer the following: "business process outsourcing services" to maximize business efficiency by way of comprehensive maintenance and management through strategic support programs for systems within the customer companies; "business process solution services" to comprehensively diagnose, design, structure and implement the business processes of customer companies; "engineering solution services" to provide engineering solutions to powerfully and comprehensively support customers' manufacturing; and "China offshore development services" to provide systems demanded by customers at many stages of operation, from planning to upstream design, development, and maintenance of high-quality services at low prices. We provide services with consistently outstanding quality and technologies not only in Japan, but also in overseas markets through 16 cities in 5 countries in Asia, focusing on China and Korea, and countries in North America. Customer companies benefit from these services through direct improvements in sales, cost reductions, efficient marketing, and enhancement of customer satisfaction.

As a result, the BtoB services sector for the companies that specialize in information services in the Company group recorded sales and operating income surpassing the levels recorded the year before.

The Company has also been working to develop the BtoC services business for consumers as one of the core businesses of the Group on a medium-term basis. We are now confident that the Group companies in the red can improve earnings by promoting selection and focus.

The Company has also been conducting a "corporate venture capital business" including strategic investments such as constantly grasping the latest technologies and trends in services from both home and abroad and include these services in our service menus in order to enhance the added value of services to be provided to our customer companies.

As a result, consolidated net sales for the year ended March 31, 2008, amounted to of 164,771 million yen, up by 16.5% (23,282 million yen) year on year. Consolidated operating income amounted to 4,365 million

yen, down 41.5% (3,100 million yen) compared to the previous term, and consolidated ordinary income totaled 3,677 million yen, down 49.5% (3,611 million yen) year on year. The Company posted net loss of 3,139 million yen compared to the net income of 7,369 million yen for the previous term. This drop is attributable to impairment loss on fixed assets concerning lump-sum depreciation of certain affiliates' goodwill posted under extraordinary losses and an increase in income taxes—deferred by ¥2,221 million yen resulting from reversal of deferred tax assets in line with the revision of “Practical Guidelines for Tax Effects on Consolidated Financial Statements” (JICPA).

## **Operating results by segment**

### *Information services business*

Sales grew 19.3% (25,698 million yen) year on year to 158,915 million yen in the information services business. This favorable performance was attributable to the ongoing stream of orders received in our core field of Marketing Chain Management services, unchanged from the high volumes of the previous term. Operating income decreased 1.5% year on year (161 million yen) to 10,303 million yen.

### *Corporate venture capital business*

Sales in the corporate venture capital business decreased by 29.2% (2,416 million yen) compared with the previous term to 5,856 million yen due to decreased sales of shares held by the Company compared with the previous term. Operating income decreased 99.6% year on year (3,917 million yen) to 15 million yen, as a result of an increase in impairment of unlisted investment shares.

## **Operating results by geographic segment**

In Japan, Business in the information services sector grew steadily resulting in 20.1% growth in sales year on year (24,803 million yen) to 148,423 million yen. Operating income decreased 2.4% year on year (261 million yen) to 10,679 million.

In the U.S., sales decreased 53.5% year on year (2,738 million yen) to 2,379 million yen and operating loss of 911 million yen (versus an operating income of 2,176 million yen in the previous term) was posted.

In Asia, sales grew to 13,967 million yen, surpassing sales of the previous term by 9.5% (1,216 million yen). Operating income decreased to 629 million yen, down 56.8% year on year (829 million yen).

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

Conditions impacting the Japanese economy worsened. Examples include steep increases in crude oil and other resource prices, which remain high, lackluster equity market performance, and yen appreciation. The impacts of these conditions must be considered risk factors.

The environment in which the Company operates and client strategies are changing. Clients no longer adhere to the “in-sourcing philosophy,” a philosophy that compels companies to retain “all of the functions they have traditionally held in-house” and to have their permanent employees perform all of the services they offer. Instead, they are now 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 temporary employees. This change in the business environment will bring new opportunities to receive expanded orders for outsourcing. We will endeavor to separate the missions of our permanent employees from those of our contract and temporary employees as this takes place, and to create, maintain, and provide high value-added services.

The technical environment surrounding the Company continues to hold great promise. Broadband users are estimated at 46 million and cellular subscribers surpassed 100 million. Traffic volume continues to grow and the IT environment of our society is expected to change rapidly in the future. As a result, the demand for outsourcing services is expected to rise further. We also expect increases in the demand for call 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 continuously improve service menus to expand sales and reduce costs at client companies, promote efficiency in marketing, and enhance customer satisfaction. We

believe it will be our major issues to be addressed by management to develop and provide high value-added services in the areas of digital marketing including internet advertising and website creation, call center services, business process outsourcing services, and other services for companies (BtoB).

In line with the Company's principles outlined above, the whole Company will continue to work together to put its 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 corporate value, and to contribute to the progress of our shareholders, client companies, employees, and society by growing our group businesses.

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

The Company raised funds of 7.5 billion yen by means of long-term borrowings during the current fiscal year for the purpose of loans to and investments in affiliated companies, and capital investments.

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

There is nothing significant to be noted during the current fiscal year.

### **(5) Transfers, Absorption-type Splits, or Incorporation-type Splits of Business**

There is nothing significant to be noted during the current fiscal year.

### **(6) Acquisition of Businesses of Other Companies**

There is nothing significant to be noted during the current fiscal year.

### **(7) Succession of Rights and Duties of Other Institutions in Relation to Mergers or Absorption-type Splits**

A merger of the Company and Arekao Inc. was effected as of August 1, 2007, with the Company continuing as the surviving entity. The aim of this merger was to both strengthen connections with the Company's advertisement sales sector and nurture the development of in-house media.

### **(8) Acquisition or Disposal of the Shares, Other Equities, or Stock Acquisition Rights of Other Companies**

There is nothing significant to be noted during the current fiscal year.

### **(9) Business Results and Summary of Assets of the Group**

	FY 2005 (20 <sup>th</sup> Fiscal Term)	FY 2006 (21 <sup>st</sup> Fiscal Term)	FY 2007 (22 <sup>nd</sup> Fiscal Term)	FY 2008 (23 <sup>rd</sup> Fiscal Term)
Net sales (millions of yen)	91,898	106,468	141,489	164,771
Ordinary income (millions of yen)	7,631	6,687	7,289	3,677
Net income (loss) (millions of yen)	4,847	6,669	7,369	(3,139)
Net income (loss) per share (yen)	211.33	297.94	171.38	(74.37)
Total assets (millions of yen)	86,915	88,293	96,380	97,098
Net assets (millions of yen)	57,133	58,365	59,070	49,760
Net assets per share (yen)	2,510.99	2,612.93	1,232.42	1,047.98

Notes:

1. Net income per share is calculated by deducting the average number of treasury shares in each fiscal term from the average number of shares issued in each fiscal term. Net assets per share are calculated by deducting the number of treasury shares as of end of the term from the number of issued shares as of end of the term.
2. The Company carried out stock split at ratio of two-for-one share of common stock as of April 1, 2006. Net income per share and net assets per share after making retroactive adjustments are as follows:

	FY2005 (20 <sup>th</sup> Fiscal Term)	FY2006 (21 <sup>st</sup> Fiscal Term)
Net income per share:	105.66 yen	148.97 yen
Net assets per share:	1,255.50 yen	1,306.46 yen

3. From the 22<sup>nd</sup> fiscal term, the Company has adopted the “Accounting Standard for Presentation of Net Assets in the Balance Sheet” (Accounting Standards Board of Japan (ASBJ) Statement No. 5, December 9, 2005) and the “Guidance on Accounting Standard for Presentation of Net Assets in the Balance Sheet” (ASBJ Guidance No. 8, December 9, 2005). Amount equivalent to the previous Total Shareholders’ Equity is as follows.

22nd fiscal term:	52,546 million yen
23rd fiscal term:	42,958 million yen

#### (10) Major Status of Parent Company and Subsidiaries

- 1) Relationship with the parent company

Not applicable.

- 2) Major subsidiaries

Name	Common stock	Percentage of equity participation	Principal business
Transcosmos Investments & Business Development, Inc.	US\$415,531 thousand	100.0%	Investment business for U.S. venture companies and U.S. holding company
J-Stream Inc.	2,182 million yen	44.6% (44.6%)	Data distribution service business using the Internet
DoubleClick Japan Inc.	1,883 million yen	60.7% (60.7%)	Solution services business in Internet advertising
APPLIED TECHNOLOGY CO., LTD.	1,205 million yen	60.1% (17.1%)	System integration business for GIS/manufacturers
transcosmos Information Creative (China) Co., Ltd.	RMB81,091 thousand	100.0% (100.0%)	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.

#### (11) Principal Business of the Group (As of March 31, 2008)

The Company Group mainly engages in Digital Marketing Services, Call Center Services, Business Process Outsourcing Services, Business Process Solutions Services, Engineering Solutions Services, China Offshore Development Services and Corporate Venture Capital Business.

**(12) Principal Business Offices of the Group (As of March 31, 2008)**

Offices	Location
Head Office of the Company:	25-18, Shibuya 3-chome, Shibuya-ku, Tokyo
Business Offices etc.:	Sapporo, Sendai, Nagoya, Osaka, Wakayama, Fukuoka
Call Centers:	Sapporo, Sendai, Tokyo, Yokohama, Osaka, Wakayama, Miyazaki, Naha
Kainan Sogo Technology Center:	Wakayama
Overseas Offices:	U.S.A. (New York, Seattle, Silicon Valley, Los Angeles), China (Beijing, Shanghai, Hong Kong, Tianjin, Dalian, Qingdao, Guangzhou, Benxi, Shenyang), Thailand (Bangkok), Singapore, Korea (Seoul)

**(13) Employees (As of March 31, 2008)**

## 1) Employees of the Group

Business Segment	Number of employees	(Number of temporary employees)
Information Services Business	11,438	(14,923)
Corporate Venture Capital Business	114	—
All companies (common)	331	—
Total	11,883	(14,923)

## 2) Employees of the Company

Number of employees	Year-on-year change	Average age	Average length of service
8,340 (9,983)	+820 (+2,539)	31 years, 3 months	5 years, 2 months

Note: "Number of employees" refers to the number of employees actually working at the Company. Number of temporary employees is separately indicated in parentheses, which shows the average number in the current fiscal year.

**(14) Major Creditors (As of March 31, 2008)**

Creditors	Loan Outstanding (in millions of yen)
Sumitomo Mitsui Banking Corporation	3,500
The Bank of Tokyo-Mitsubishi UFJ, Ltd.	3,500
Mizuho Corporate Bank, Ltd.	3,500
The Bank of Yokohama, Ltd.	2,000

**2. Matters Concerning Shares of the Company (As of March 31, 2008)**

- (1) Total number of shares authorized to be issued: 150,000,000 shares
- (2) Total number of shares issued: 48,794,046 shares  
(number of shares constituting one unit: 100 shares)
- (3) Number of shareholders: 22,538  
(of which 22,385 shareholders hold unit shares)

(4) Major shareholders

Name	Investment in the Company by the Shareholders	
	Number of shares held (thousands of shares)	Equity participation (%)
Koki Okuda	7,478	18.2
Masataka Okuda	5,910	14.4
Mihoko Hirai	2,185	5.3
Okuda Ikueikai, Foundation	1,753	4.3
Japan Trustee Services Bank, Ltd. (Account in Trust)	1,731	4.2
State Street Bank & Trust Co. 505012	889	2.2
Japan Trustee Services Bank, Ltd. (Account in Trust 4)	717	1.8
Northern Trust Company (AVFC) Account Non-Treaty	616	1.5
Mellon Bank ABN Amro Global Custody NV	591	1.4
Northern Trust Company (AVFC) Sub-account American Client	500	1.2

Notes:

1. Number of shares less than one thousand is rounded down to the nearest thousand.
2. Equity participation is rounded off to the nearest first decimal.
3. The Company holds 7,802 thousand shares of treasury stock, which are excluded from the number as basis of calculating equity participation above.

### 3. Matters Concerning the Stock Acquisition Rights, etc. of the Company (As of March 31, 2008)

#### (1) Stock Acquisition Rights, etc. Held by the Company's Officers

	First Stock Acquisition Rights 2002		First Stock Acquisition Rights 2003		First Stock Acquisition Rights 2004		First Stock Acquisition Rights 2005	
	(Persons)	(No. of the rights)	(Persons)	(No. of the rights)	(Persons)	(No. of the rights)	(Persons)	(No. of the rights)
Number of persons holding the Stock Acquisition Rights and the Number of Stock Acquisition Rights								
- Directors (excluding Outside Directors)	2	159	5	177	7	132	8	166
- Outside Directors	—		—		—		1	17
- Statutory Auditors	—		1	2	1	2	—	
Class of shares subject to Stock Acquisition Rights	Common stock		Common stock		Common stock		Common stock	
Number of shares subject to Stock Acquisition Rights	31,800 shares		35,800 shares		26,800 shares		36,600 shares	
Property value to be contributed when the Stock Acquisition Rights are exercised (per share)	833 Yen		1,171 Yen		1,611 Yen		2,270 Yen	
Exercise Period for Stock Acquisition Rights	July 1, 2004- June 30, 2008		July 1, 2005- June 30, 2009		July 1, 2006- June 30, 2010		July 1, 2007- June 30, 2011	
Conditions for exercising the Stock Acquisition Rights	The stock acquisition rights holder must be posted as a director, statutory auditor, executive officer, or employee of the Company or of any of the subsidiaries of the Company as of the effectuation date of the right.		The stock acquisition rights holder must be posted as a director, statutory auditor, executive officer, or employee of the Company or of any of the subsidiaries of the Company as of the effectuation date of the right.		The stock acquisition rights holder must be posted as a director, statutory auditor, executive officer, or employee of the Company or of any of the subsidiaries of the Company as of the effectuation date of the right.		The stock acquisition rights holder must be posted as a director, statutory auditor, executive officer, or employee of the Company or of any of the subsidiaries of the Company as of the effectuation date of the right.	

#### (2) Stock Acquisition Rights Delivered to the Company's Employees During the Fiscal Term

Not applicable.

#### (3) Other Significant Matters Related to Stock Acquisition Rights, etc.

The Company issued Stock Acquisition Rights without consideration (third party allotment to The Sumitomo Trust and Banking Co., Ltd.) in accordance with the resolution of the Board of Directors' Meeting held on May 22 and May 29, 2006 and the resolution of the 21<sup>st</sup> Annual General Meeting of Shareholders held on June 29, 2006, as part of the implementation of a Trust-type Rights Plan. The details of the Stock Acquisition Rights are as follows:

The details and number of Stock Acquisition Rights  
Number of Stock Acquisition Rights                      75,000,000 units

##### 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 value of properties to be contributed upon exercise of the Stock Acquisition Rights

Contributions upon exercise of the Stock Acquisition Rights are to be in money, 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 defined Specified Large Holder 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 July 18, 2006 and ends on June 30, 2009 (provided, however, that if the Company acquires the Stock Acquisition Rights, 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 defined Trigger Event occurs from and including January 1, 2009 to and including June 30, 2009, the exercise period shall extend for 6 months from the date on which the Trigger Event occurs.)

#### 4. Corporate Officers (As of March 31, 2008)

##### (1) Directors and Statutory Auditors

Position	Name	Assignment or principal responsibilities
Founder, Representative Director & Group CEO	Koki Okuda	Group Chief Executive Officer
Chairman, Representative Director & CEO	Koji Funatsu	Chief Executive Officer
Vice Chairman, Director	Osamu Goto	
President, Representative Director & COO	Masataka Okuda	Chief Operating Officer
Executive Vice President, Director	Koichi Iwami	Digital Marketing Services Sector, Call Center Services Sector, Business Process Outsourcing Services Sector, Business Process Solution Services Division, Engineering Solution Business Division, Overseas Business Division, China Offshore Developing Services Department and Special Project Office
Executive Vice President, Director	Shojiro Takashima	Chief of Marketing Division
Senior Managing Director	Masakatsu Moriyama	BtoC Business Development Division Manager
Senior Managing Director	Shinichi Nagakura	Business Development & Investment Division
Outside Director	Taiki Yoshioka	
Outside Director	Kichiro Takao	
Outside Director	Yoko Kamiyama	
Standing Statutory Auditor	Mitsuo Ishii	
Outside Statutory Auditor	Teruyuki Hiiro	
Outside Statutory Auditor	Kazushi Watanabe	
Outside Statutory Auditor	Toshiaki Nakamura	

##### Notes:

- Directors Taiki Yoshioka, Kichiro Takao, and Yoko Kamiyama, are Outside Directors.
- Statutory Auditors Teruyuki Hiiro, Kazushi Watanabe, and Toshiaki Nakamura, are Outside Statutory Auditors.
- Standing Statutory Auditor Mitsuo Ishii has an experience in the accounting and financial division for many years, and possesses considerable expertise in finance and accounting.
- Toshiaki Nakamura, Outside Statutory Auditor, is a certified public tax accountant and possesses considerable expertise and experience in finance and accounting.
- Apart from the above, Directors and Statutory Auditors who concurrently hold significant positions at other companies are as follows:
  - President, Representative Director & COO, Masataka Okuda, concurrently holds the position of Representative Director of IBR, Inc.
  - Executive Vice President, Director, Koichi Iwami, concurrently holds the positions of Representative Director of BPS Inc., Chairman of transcosmos Information system (Shanghai) Co., Ltd., Representative Director of transcosmos CRM Okinawa Inc., Representative Director of transcosmos CRM Miyazaki Inc., Representative Director of transcosmos CRM Wakayama Inc., Chairman of transcosmos MCM Shanghai Co., Ltd., Representative Director and President of transcosmos MCM Korea Co., Ltd., Representative Director of Organic Trend International Corporation, and Chairman of Shenyang transcosmos Information System Co., Ltd.
  - Senior Managing Director, Masakatsu Moriyama, concurrently holds the positions of Representative Director of TEAM LAB BUSINESS DEVELOPMENT Inc. and Representative Director of Kabushiki Kaisha Co-Core Inc.
  - Outside Director Yoko Kamiyama concurrently holds the position of Representative Director of Genbar Ltd.
- Standing Statutory Auditor Yoshiharu Uenoyama retired from office due to resignation at the conclusion of the 22<sup>nd</sup> Annual General Meeting of Shareholders held on June 26, 2007.

## (2) Outside Corporate Officers

### 1) Positions concurrently held by Outside Directors in other companies

Title held in the Company	Name	Name of other companies	Position held in other companies	Relationship
Outside Director	Taiki Yoshioka	—		
Outside Director	Kichiro Takao	NIPPON DENTSU Co., Ltd.	Statutory Auditor	No significant business relationship
Outside Director	Yoko Kamiyama	Genbar Ltd.	Representative Director	No significant business relationship
Outside Statutory Auditor	Teruyuki Hiiro	DoubleClick Japan Inc.	Statutory Auditor	Agent
Outside Statutory Auditor	Kazushi Watanabe	SOMPO JAPAN INSURANCE INC.	Part-time Adviser	No significant business relationship
Outside Statutory Auditor	Toshiaki Nakamura	RISO KYOIKU CO., LTD.	Statutory Auditor	No significant business relationship

### 2) Liability Limitation Agreement with Outside Directors and Outside Statutory Auditors

The Company provides in its Articles of Incorporation that it may enter into agreements with Outside Directors and Outside Statutory Auditors to impose a maximum amount of liability the Outside Directors and Outside Statutory Auditors are to bear for damages to the Company, to the higher of either an amount of 1 million yen or more as specified in advance, or an amount prescribed by the relevant laws and regulations. The Company has executed the Liability Limitation Agreement with each of Outside Directors Taiki Yoshioka, Kichiro Takao, and Yoko Kamiyama, and with Outside Statutory Auditors Teruyuki Hiiro, Kazushi Watanabe, and Toshiaki Nakamura.

### 3) Situation of concurrent service at other companies (if their duties include the execution of business) and the relationship between the company in question and the Company

Outside Director Yoko Kamiyama concurrently serves as Representative Director of Genbar Ltd., with which the Company has no business relationship.

## (3) Principal Activities of Outside Corporate Officers

Principal Activities at Board of Directors' and Board of Statutory Auditors' Meetings during the current fiscal year

Name of Outside Corporate Officers	Position	Attendance at Board of Directors' Meetings and Board of Statutory Auditors' Meetings (Number of times)	Main comments
Taiki Yoshioka	Outside Director	19/19 —	He has generally given advice and made proposals on matters to be resolved and reported, as necessary, based on his wide knowledge and experience.
Kichiro Takao	Outside Director	18/19 —	He has generally given advice and made proposals on matters to be resolved and reported, as necessary, based on his wide knowledge and experience.
Yoko Kamiyama	Outside Director	17/19 —	She has generally given advice and made proposals on matters to be resolved and reported, as necessary, based on his wide knowledge and experience.

Teruyuki Hiiro	Outside Statutory Auditor	19/19 13/13	He has generally given advice and made proposals on matters to be resolved and reported, as necessary, based on his wide knowledge and experience.
Kazushi Watanabe	Outside Statutory Auditor	19/19 13/13	He has generally given advice and made proposals on matters to be resolved and reported, as necessary, based on his wide knowledge and experience.
Toshiaki Nakamura	Outside Statutory Auditor	19/19 13/13	He has generally given advice and made proposals on matters to be resolved and reported, as necessary, based on his wide knowledge and experience.

#### (4) Remuneration paid to Directors and Statutory Auditors

Category	Number of Directors and Statutory Auditors paid	Amount paid
Directors (Outside Directors among the above)	10 (3)	245,907 thousand yen (22,000 thousand yen)
Statutory Auditors (Outside Statutory Auditors among the above)	4 (3)	21,000 thousand yen (12,000 thousand yen)
Total	14	266,907 thousand yen

Notes:

1. A resolution of the General Meeting of Shareholders limits the remuneration to Directors to 50,000 thousand yen per month. (Annual General Meeting of Shareholders held on June 27, 1997.)
2. A resolution of the General Meeting of Shareholders limits the remuneration to Statutory Auditors to 5,000 thousand yen per month. (Annual General Meeting of Shareholders held on June 25, 1988.)

## 5. Principal Activities of the Accounting Auditor

### (1) Name of the Accounting Auditor

Ernst & Young ShinNihon

### (2) Remuneration paid to the Accounting Auditor during the current fiscal year

Total remuneration to be paid during the current fiscal year of the Company (Note)	85,100 thousand yen
Total amount of money and other profits from properties to be paid by the Company and its subsidiaries to the Accounting Auditor	172,825 thousand yen

Note: The Audit agreement between the Company and the Accounting Auditor does not separate or is unable to effectively separate audit remunerations for audits under the Company Law and audit remunerations for audits under the Securities and Exchange Law. Accordingly, the amount described above does not separate these two types of payment.

### (3) Audits of subsidiaries

Among the major subsidiaries of the Company, transcosmos Information Creative (China) Co., Ltd. underwent legal audits by certified public accountants or Accounting Auditors other than the Company's Accounting Auditor (including overseas accountants with qualifications similar to those of these accountants).

### (4) Details of the Liability Limitation Agreement

Not applicable.

### (5) Policy on determining the dismissal or disapproval of reappointment of the Accounting Auditor

If the Accounting Auditor commits or causes any violations of or conflicts with the provisions of the Company Law, the Certified Public Accountant Law, or any other laws or regulations of Japan, or if there is any considerable doubt therefore, the Board of Directors will, after obtaining the consent of the Board of Statutory Auditors, submit a proposal for the dismissal or the disapproval of reappointment of the Accounting Auditor to the General Meeting of Shareholders. If any of the provisions of Article 340, Paragraph 1 of the Company Law applies to the Accounting Auditor, the Board of Statutory Auditors will dismiss the Accounting Auditor upon the unanimous approval of the Statutory Auditors. Further, the Board of Statutory Auditors may decide on the reappointment or the disapproval of reappointment by taking into consideration the length of years the Accounting Auditor has served in his or her office.

## 6. Corporate Structure and Policies

### **(1) Corporate Structure to Ensure Legal Compliance and Compliance with the Articles of Incorporation in the Execution of Duties by Directors and Other Corporate Structure to Ensure the Properness of Operations**

- 1) Corporate structure to ensure legal compliance and compliance with the Articles of Incorporation in the execution of duties by Directors

In order to satisfy corporate social responsibility, compliance with laws and regulations, and compliance with the Articles of Incorporation, the Company ensures that Directors adhere to the Compliance Charter, the Code of Conduct, and the Compliance Rules in the execution of duties. The Company will further raise the awareness of all of the Directors on matters of compliance through training and ensure the execution of duties based on these principles.

The Meeting of Board of Directors, which is to be held once a month in principle, will be operated in accordance to the Board of Directors Regulations. Communication among the Directors is encouraged, and the Directors will oversee the execution of one another's duties. The Statutory Auditors will also participate in the Board Meetings and oversee the execution of the duties of the Directors to ensure that such duties are performed in accordance with all relevant laws. Outside Directors will also be present at the Board Meetings and work to enhance management oversight functions.

Through the implementation of the laws and regulations related to internal control, the Company has once again drawn up a set of basic plans for the establishment of a stronger system for internal control, with the cooperation and support of attorneys, certified public accountants, and other external consultants.

- 2) System for the storage and management of information in relation to the execution of duties by the Directors

Important decision-making and reports are made in accordance with the Board of Directors Regulations.

Documents related to the execution of duties and other information shall be handled in compliance with the Document Management Rules, Information Management Rules, and Insider Trading Rules. Inspections will be carried out to confirm whether these rules are applied properly, and each rule will be reviewed as necessary.

The administrative work related to these matters, including the inspections to confirm whether the rules are applied and the reviews of the procedures, will be managed under the control of the executive officers of the Business Administration Headquarters and reported regularly to the Board of Directors.

To ensure efficient execution of business, the Company shall endeavor to further promote a system for the rationalization of business and implementation of the IT system.

- 3) Rules related to the management of the risk of loss and other systems

As stipulated under the Internal Audit Regulations, the Internal Audit Office, an organization under the direct supervision of the President, will prepare an audit plan based on careful consideration of the items to be audited and the audit methods, and conduct the audit in accordance with the plan.

If any breach of law, regulations, or the Articles of Incorporation is discovered through an audit by the Internal Audit Office, or if any business act which may lead to a risk of loss due to other causes is found, the matter shall be reported immediately to the President.

The Compliance Department will be in charge of risk management in accordance with the basic rules on risk management.

Each department will conduct risk management in relation to its respective sector and has built a system to report matters promptly to the Compliance Department in case a risk of loss is discovered. To facilitate the collection of risk information, the Company will familiarize employees with the importance of the existence of the Compliance Department and instruct them to promptly report any risk of loss they discover through the organization.

The information management system will be strengthened in accordance with the rules on the protection of privacy marks and other personal information.

#### 4) System to ensure the efficient execution of duties by the Directors

The Company will ensure the efficient performance of business and implement an assessment and remuneration system linked to the performance results by drawing up an annual plan, medium term management plan, etc., clarifying the objectives to be achieved by the Company, clarifying the organization and business targets with which each Director will be charged, and then by having the Board of Directors review the level of target achievements and feed back the results.

In accordance with the Board of Directors Regulations, the Rules on the Division of Authorities, and the Document Approval Rules, the Company will clarify the authoritative powers and the responsibilities of the Directors.

The Directors will manage and oversee the execution of business by the Executive Officers.

The Company will simplify its processes to ensure that decisions can be made promptly in accordance with the rules of management meetings. Decisions on significant matters shall be made promptly and with care at management meetings comprising the representative directors.

#### 5) System to ensure that the execution of duties by the employees complies with laws and regulations, and the Articles of Incorporation

The Company will see to it that all of employees are familiar with the Compliance Charter, Code of Conduct, and Compliance Rules, to ensure that the employees fulfill their social responsibilities and comply with all relevant laws and regulations, and the Articles of Incorporation in the execution of their duties.

Anti-social elements threatening the order and safety of civil society will be approached with a resolute attitude by the organization as a whole and an internal system excluding business and all other relationships with these elements shall be developed based on the Code of Conduct.

The Compliance Department will name an executive officer in charge of the department as the responsible person, and plan for and implement compliance programs regularly. The Company will raise employees' knowledge of compliance and create a mindset that adheres to compliance by holding training sessions on compliance and preparing and distributing manuals.

The Company will create hotlines in order to establish an environment in which internal whistleblowers may easily provide information.

#### 6) System to ensure the properness of operations by the Company group made up of the Company and its subsidiaries

In order to confirm whether there is any information suggestive of a risk to the Company group made up of the Company and its subsidiaries, the headquarters in charge of the Company's subsidiaries will

take necessary measures for the management of the subsidiaries in accordance with the management rules of the affiliated companies, as called for by the situations of the subsidiaries.

If the headquarters in charge of the subsidiaries discovers any risk of loss of the subsidiaries, it will promptly notify the President of the details of the risk of loss discovered, the level of possible loss, and the influence on the Company.

The Company will dispatch its personnel as Directors or Statutory Auditors to the subsidiaries, and the dispatched directors will attend the Board of Directors' Meetings of the subsidiaries and manage the operations of the subsidiaries.

In order to prevent improper transactions or accounting procedures between the Company and the subsidiaries, the Internal Audit Office will conduct audits, as necessary.

The Group periodically holds a Statutory Auditors Group Meeting constituted of Standing Statutory Auditors of the Company and major subsidiaries and takes measures to raise efficiency and effectiveness of audits.

7) Matters related to employees appointed for the support of Statutory Auditors when so requested by Statutory Auditors

If the Statutory Auditors request the Company to appoint employees to assist them in their work, the President will select one or more suitable employees promptly after considering the reasons for their assignment as assistants to the Statutory Auditors, the number of employees to assign, and the conditions and period of the assignment.

8) Matters related to the independence of the employees described in (7) above from Directors

Employees who are to assist the Statutory Auditors in their work will support the auditing business of the Statutory Auditors under the direction and supervision of the Statutory Auditors. Transfers, evaluation, and disciplinary measures of such employees shall be carried out with the prior consent of the Board of Statutory Auditors.

9) System for reporting to the Statutory Auditors by Directors and employees, and other systems for reporting to the Statutory Auditors

Directors and employees shall report to the Statutory Auditors regularly on the following items, and the Statutory Auditors will attend the Board of Directors' Meetings and other important meetings for briefing.

- Matters to be resolved and matters to be reported at the Board of Directors' Meetings
  - Monthly, quarterly, semi-annually, and annual business results, earnings forecasts, and financial conditions
  - Details of significant disclosure materials
  - Significant organizational and personnel changes
  - Matters that may cause material loss to the Company
  - The Company's significant accounting principles, accounting standards, and any changes thereto
  - Activities of the Internal Audit Office and the Compliance Department
  - Other significant matters for approval, or for resolution
- If any other event determined by the Statutory Auditors to require reporting occurs, it shall be promptly reported.

10) Other system to ensure that audits by the Statutory Auditors will be effectively conducted

The Directors and employees will work to deepen their understanding of the audits by the Statutory Auditors and to improve the environment for the audits by the Statutory Auditors.

The President will exchange opinions regularly with the Statutory Auditors and establish a system to help the Statutory Auditors communicate efficiently with the Internal Audit Office and perform effective auditing services.

11) System to conduct timely and appropriate disclosures

The Company will keep the officers and employees well informed in accordance with the Timely Disclosure Rules, and establish a reporting line of disclosure information within the Company group consisting of the Company and the subsidiaries. The propriety of the details will be secured, and timely and appropriate disclosures will be achieved at the management meetings.

**(2) Basic Policy Regarding the Control of the Company**

Basic Policy regarding persons who control decision the Company's financial and business policies

1) Details of the Basic Policy

The Company believes that the persons who control decisions on the Company's financial and business policies need to be persons who understand the source of the Company's corporate value and who will make it possible to continually and persistently ensure and enhance the Company's corporate value and the common interests of its shareholders.

If any party proposes a purchase involving a transfer of corporate control of the Company, the Company believes that the decision on the proposed purchase shall be ultimately made based on the intent of the shareholders as a whole. Also, the Company would not reject a large-scale purchase of the Company's shares if it would contribute to ensuring and enhancing the Company's corporate value and the common interests of its shareholders. Nonetheless, there are several forms of corporate acquisition that benefit neither the corporate value of the target company nor the common interests of its shareholders, such as the following: those with a purpose that would obviously harm the corporate value of the target company and the common interests of its shareholders; those with the potential to substantially coerce shareholders into selling their shares; those that do not provide sufficient time or information for the target company's board of directors and shareholders to consider the terms of the large-scale purchase, or for the target company's board of directors to make an alternative proposal; and those that require the target company to discuss or negotiate with the acquirer in order to procure more favorable terms for the shareholders than those presented by the acquirer.

The corporate value of the Company places value on enhanced customer satisfaction. The sources of the corporate value of the Company lie in: i) the intrinsic energy of the employees who can, with originality and ingenuity, combine the experiences, know-how and the latest technology, working as professionals without fear of changes in the environment, ii) the driving power of "Marketing Chain Management" services that provide high value-added services to customer corporations through various creative powers generated from the intrinsic energy of the employees. If these sources of the corporate value are not understood and these elements are not secured and improved over the mid-to-long-term by the acquirer of a proposed large-scale purchase of the Company's shares, the Company's corporate value and the common interests of its shareholders will be harmed.

The Company believes that it is necessary to ensure its corporate value and the common interests of its shareholders by taking necessary and reasonable countermeasures against such abusive purchases.

## 2) Specific details of the measures to realize the Basic Policy

### a) Special measures to realize the Basic Policy such as effective use of the Company's assets and proper formation of the Company group

The Company announced in May 2006, the “transcosmos mid-term business plan”, aiming to enhance the Company's corporate value and realize the Basic Policy outlined above. The Company is now providing high value-added services in digital marketing fields such as internet advertising, website creation, and call center services, while endeavoring to the utmost to enhance customer satisfaction. Three core targets have been drawn up under the mid-term business plan, together with the numerical targets of sales of 220 billion yen and operating profit of 16 billion yen for fiscal 2009: i) Acquire the number one position in the digital marketing industry; ii) Become the largest global IT outsourcer in Japan; iii) Establish a major BtoC business. As one of the main activities in the fiscal term ended March 31, 2008, the Company worked to develop overseas business services focusing in various centers in Asia, mainly in China and Korea. With respect to the marketing for Chinese offshore development services that engage in information system development on consignment primarily from corporations in Japan, business results expanded steadily (sales grew by 136% year on year).

To strengthen its corporate governance practices, the Company added three Outside Directors and three Outside Statutory Auditors the year before last with the Board of Directors and the Board of Statutory Auditors system at the core. The Company seeks to enhance the internal control system by working to achieve even more transparent and fair management as a priority issue.

### b) Measures to prevent inappropriate person from controlling the Company in the light of the basic policy

In order to ensure its corporate value and the common interests of its shareholders, the Company issued Stock Acquisition Rights without consideration to Sumitomo Trust and Banking Co., Ltd. as a trustee, as part of the implementation of the Trust-type Rights Plan, in accordance with the resolutions of the Board of Directors' Meetings held on May 22 and May 29, 2006 and the 21st Annual General Meeting of Shareholders held on June 29, 2006.

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.

If an acquirer appears in the future, the Trust Bank delivers Stock Acquisition Rights to beneficiaries as determined by certain procedures for the receipt of the Stock Acquisition Rights. When Stock Acquisition Rights issued upon the introduction of the Trust-type Rights Plan are exercised, future shareholders of the Company will receive, in principle, one common share of the Company for each Stock Acquisition Right. Contributions upon the 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 the exercise of the Stock Acquisition Rights shall be the equivalent of 0.03% of the fair market value on and after the day immediately following the date on which a Specified Large Holder (defined hereunder) appears (with any fraction of a yen after such calculation to be rounded up to the nearest whole yen).

Only a person who does not fall under any of the persons listed in (i) through (vi) below may exercise the Stock Acquisition Rights regardless of before, on, or after the allotment date of the Stock Acquisition Rights, provided that such person may do so only after (a) a 10-day period passes, in principle, from the date on which it is publicly announced that the one or more persons have become shareholders of the Company with a shareholding ratio of 20% or more (including any person who is deemed to fall under the above by the Company' Board of Directors) (hereinafter “Specified Large Holders”) or after (b) a 10-day period passes, in principle, from the date on which one or more persons make a public notice of a tender offer that makes them holders of share certificates, etc. issued by the Company with a shareholding holding ratio with respect of such share certificates, etc.

after the tender offer of at least 20% in aggregate with the holding ratio of the Person having a Special Relationship (including any person who is deemed to fall under the above by the Company's Board of Directors) (hereinafter "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"): (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) above without the approval of the Board of Directors of the Company, or (vi) Affiliated Parties to persons who falls under any of (i), (ii), (iii), (iv) or (v) above (the persons falling under any of (i) through (vi) are hereinafter collectively referred to as the "Non-Qualified Person"). If the Company's Board of Director deems, in accordance with the Rules of the Stock Acquisition Rights separately determined by the Company (hereinafter referred to as the "The Rules of the Stock Acquisition Rights"), a person who acquires share certificates, etc. of the Company in a manner not contrary to the Company's corporate value or the common interests of its shareholders as a person who does not fall under any of the definitions of a Specified Large Holder or a Specified Large Purchaser, the Company may make arrangements to preclude the occurrence of the Trigger Event. Also, the Company may postpone the Trigger Event Occurrence Time by extending the 10-day period set out in (a) and (b) above. If the Trigger Event occurs and the Stock Acquisition Rights become exercisable, the Company's shareholders excluding the Non-Qualified Persons etc. will, in principle, be able to acquire the Company's shares under favorable conditions. Meanwhile, the Non-Qualified Persons etc. may, as a result of the exercise of the Stock Acquisition Rights by other shareholders face the risk of dilution in their holding ratios.

These Stock Acquisition Rights, if a Trigger Event occurs in connection with an acquisition by a certain party or parties, shall not be exercisable if non-existence of the rationale 1) through 5) below concerning the subject acquisition, or if exercising the Stock Acquisition Rights is not appropriate in relation with the rationale, even if any of the rationale exists. Whether the conditions described above have been met, or not, shall be determined in accordance with the procedures set forth in the Rules of the Stock Acquisition Rights.

- 1) There is a concern that the actions described below will clearly result in damage to the Company's corporate value or the common interests of its shareholders
  - a) Buying up the Company's shares and demanding that the Company repurchase them at an unduly high price.
  - b) Temporarily controlling the Company and acquiring its significant assets, etc. at bargain prices or engaging in other such actions that benefit the acquirer at the expense of the Company.
  - c) Using the Company's assets to secure or repay the debts of the acquirer, its group companies, or other entities.
  - d) Temporarily taking over managerial control of the Company, disposing of high-value assets not presently being used in Company operations, and using the sale proceeds to pay dividends temporarily increased to extraordinarily high levels or selling off shares at prices that have risen in response to temporarily high dividends.
- 2) Use of a transaction scheme that is related to the subject acquisition to coerce shareholders into accepting the subject acquisition
- 3) Lack of an opportunity for the Company's shareholders or Board of Directors to acquire sufficient information on the subject acquisition, or lack of a reasonable amount of time for the Board of Directors, once it has acquired sufficient information about the acquisition, to put forth an alternative proposal in response to the acquisition

- 4) Conditions (including price or type of consideration to be paid, acquisition timing, legality of the acquisition method, likelihood of acquisition execution, policy of treatment of the Company's employees, companies with which the Company transacts business and other stakeholders after the acquisition, etc.) for the subject acquisition are either inadequate or inappropriate given the Company's underlying value
- 5) Apart from 1) through 4) above, there are serious concerns that the subject acquisition or related transactions will be detrimental to the Company's corporate value or to the common interests of its shareholders (including the interests of the Company's employees, companies with which the Company transacts business, and other stakeholders).

These Stock Acquisition Rights, however, shall not be exercisable if the conditions in 1) and 2) below regarding the subject acquisition are met, when a Trigger Event occurs in relation with an acquisition by a certain party or parties. Whether the conditions described herein have been met, or not, shall be determined in accordance with the procedures provided in the Rules of the Stock Acquisition Rights.

- 6) There is an alternative proposal to the subject acquisition that the Company's Board of Directors has either put forth or agreed to
- 7) The subject alternative proposal results in the transfer of control of the Company and all four of the following conditions are met
  - a) The subject acquisition is to be implemented only through an all-cash tender offer for all of the shares for which the Company is the issuer.
  - b) There is no fear of clear damage to the Company's corporate value or the common interests of its shareholders resulting from the actions described in (ii) 1) (a) through (d) above.
  - c) The transaction scheme related to the subject acquisition does not tend to coerce the Company's shareholders into accepting the subject acquisition.
  - d) There is no fear that the subject acquisition or related transactions will be detrimental to the Company's corporate value or to the common interests of its shareholders.

Upon introducing the Trust-type Rights Plan, the Company has set up an Independent Committee. If the Independent Committee decides on the postponement of the Trigger Event Occurrence Time, a non-occurrence of the Trigger Event or any other form of non-satisfaction of the conditions for the exercise of the Stock Acquisition Rights in relation to the person proposing the purchase or acquisitions of Stock Acquisition Rights by the Company in accordance with the procedures set forth in the Rules of the Stock Acquisition Rights, it will make recommendations to the Board of Directors of the Company. The Board of Directors shall make decisions as a directorial function under the Corporation Law, substantially in accordance with the recommendations made by the Independent Committee.

The total number of Stock Acquisition Rights issued without consideration to Sumitomo Trust and Banking Co., Ltd. on July 18, 2006 for the Trust-type Rights Plan is 75,000,000. Generally, the Stock Acquisition Rights may only be exercised during the 3 years from July 18, 2006 to June 30, 2009.

Even after the introduction of the Trust-type Rights Plan, there will be no direct or specific impact on the shareholders as long as the Trust-type Rights Plan is not triggered. When the Trust-type Rights Plan is triggered, the Trust Bank will deliver, to each shareholder other than the Company as of the date separately determined by the Board of Directors of the Company, one Stock Acquisition Right per Company share held by the shareholders. Each shareholder of the Company will receive one share of the Company for each Stock Acquisition Right when the shareholder submits the request form for exercise of Stock Acquisition Rights and other documents prescribed by the Company and

pays the amount equivalent to the prescribed exercise price per share of the Company share issued upon the exercise of the Stock Acquisition Rights to the payment place. If a shareholder does not make such payments or does not go through other procedures in relation to the exercise of the Stock Acquisition Rights, the shares in its possession may be diluted upon the exercise of the Stock Acquisition Rights by the other shareholders.

For further details on the Trust-type Rights Plan, please refer to the press release dated May 29, 2006 presented on the Company's website at: [http://www.trans-cosmos.co.jp/ir/news\\_pdf/ir060529\\_1.pdf](http://www.trans-cosmos.co.jp/ir/news_pdf/ir060529_1.pdf) (in Japanese).

### 3) The decision and the reasons of the Directors regarding the specific measures

The special measures to achieve the Company's Basic Policy as set forth in 2) a) above have been planned as specific measures for the continuous and sustainable enhancement of the Company's corporate value and the common interests of its shareholders, and are in compliance with the Company's Basic Policy.

As set forth in 2 b) above, the Trust-type Rights Plan has been introduced for the purpose of ensuring and enhancing the Company's corporate value and common interests of its shareholders, and is in line with the Company's Basic Policy. In particular, the Board of Directors believes that the Trust-type Rights Plan has fairness and objectivity, contributes to the corporate value of the Company and, in turn, the common interests of its shareholders, and does not aim to maintain the positions of directors and statutory auditors of the Company for the reasons including without limitation the following reasons.

- a) The Trust-type Rights Plan has been introduced by obtaining the special resolution of the general meeting of shareholders.
- b) Reasonable and objective terms and conditions of cancellation have been established.
- c) The Independent Committee composed of outside persons who are highly independent from the Company's management has been established and its judgment is required for the decisions on matters such as the triggering of the Trust-type Rights Plan, non-satisfaction of the exercise conditions, and acquisition of the Stock Acquisition Rights.
- d) The Independent Committee may, at the Company's expense, obtain the advice of independent third-party experts.
- e) The effective period of the Plan will be around 3 years and the Stock Acquisition Rights may be acquired at any time by a resolution of the Board of Directors.

### **(3) Policies on the Decision on Dividends from Surplus**

The Company positions the return of profits to shareholders as one of the most important issues in management.

As for the dividend policy, it is the basic policy of the Company to further enhance the marketability of its shares by working to return more profits to its shareholders.

The Company intends to use its internal reserves to improve its financial standing and to make capital investments in new call centers and information systems in an effort to respond to the growth of the Company's services and to improve its service quality. The Company aims to increase the shareholders' benefits by pursuing profits from the growth of its businesses, and the added value through new investments and M&A in areas that have synergies with its businesses. In accordance with the above basic policies, the Company plans to pay a year-end dividend of 40 yen (ordinary dividend of 20 yen and special dividend of 20 yen).

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

## Attached document (2)

**Consolidated Balance Sheet**

(As of March 31, 2008)

(Thousands of yen)

Assets		Liabilities	
Account item	Amount	Account item	Amount
<b>Current assets</b>	<b>58,755,859</b>	<b>Current liabilities</b>	<b>32,148,129</b>
Cash and deposits	15,413,082	Accounts payable—trade	6,655,402
Notes and accounts receivable—trade	26,487,264	Short-term bank loans	1,870,235
Investment in securities for operating purposes	10,257,206	Current portion of bonds	5,312,000
Marketable securities	19,753	Current portion of long-term bank loans	43,480
Inventories	1,266,184	Accounts payable	4,300,654
Deferred tax assets	1,692,478	Income taxes payable	2,675,343
Other	3,897,226	Accrued consumption tax	1,695,781
Allowance for doubtful accounts	(277,337)	Deferred tax liabilities	66,643
		Advances received	859,758
<b>Fixed assets</b>	<b>38,343,011</b>	Accrued bonuses for employees	3,147,121
<b>Tangible fixed assets</b>	<b>13,108,803</b>	Other	5,521,707
Buildings and structures	5,704,613	<b>Fixed liabilities</b>	<b>15,189,842</b>
Vehicles and transportation equipment	59,438	Bonds	36,000
Tools, furniture and fixtures	5,268,432	Long-term bank loans	14,689,530
Land	1,398,541	Deferred tax liabilities	33,635
Construction in progress	677,777	Reserve for retirement benefits	144,196
<b>Intangible fixed assets</b>	<b>7,361,097</b>	Security deposits received	11,200
Goodwill	2,391,979	Other	275,280
Software	2,897,008	<b>Total liabilities</b>	<b>47,337,972</b>
Other	2,072,109	<b>Net Assets</b>	
<b>Investments and other assets</b>	<b>17,873,110</b>	<b>Shareholders' equity</b>	<b>37,939,010</b>
Investment in securities	1,788,194	<b>Common stock</b>	<b>29,065,968</b>
Investment in stocks of unconsolidated subsidiaries and affiliates	6,490,609	<b>Capital surplus</b>	<b>23,057,566</b>
Investment in other securities of unconsolidated subsidiaries and affiliates	358,218	<b>Retained earnings</b>	<b>3,649,849</b>
Investments	6,700	<b>Treasury stock</b>	<b>(17,834,374)</b>
Investment in unconsolidated subsidiaries and affiliates	393,825	<b>Valuation and translation Adjustments</b>	<b>5,019,802</b>
Long-term loans receivable	622,707	<b>Unrealized gain on securities</b>	<b>310,530</b>
Deferred tax assets	276,456	<b>Deferred gains or losses on hedges</b>	<b>(7,134)</b>
Security deposits	5,083,992	<b>Foreign currency translation adjustment</b>	<b>4,716,406</b>
Prepaid pension costs	1,963,858	<b>Minority interests</b>	<b>6,802,085</b>
Other	1,172,717		
Allowance for doubtful accounts	(284,171)	<b>Total net assets</b>	<b>49,760,898</b>
<b>Total assets</b>	<b>97,098,870</b>	<b>Total liabilities and net assets</b>	<b>97,098,870</b>

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

## Attached document (3)

**Consolidated Statement of Income**  
(from April 1, 2007, to March 31, 2008)

(Thousands of yen)

Account item	Amount	
<b>Net sales</b>		<b>164,771,666</b>
<b>Cost of sales</b>		<b>131,179,722</b>
<b>Gross Profit</b>		<b>33,591,943</b>
<b>Selling, general and administrative expenses</b>		<b>29,226,924</b>
<b>Operating income</b>		<b>4,365,018</b>
<b>Non-operating income:</b>		
Interest income	182,651	
Dividend income	6,248	
Subsidy income	93,051	
Other	330,929	612,881
<b>Non-operating expenses:</b>		
Interest expenses	281,207	
Equity in loss of unconsolidated subsidiaries and affiliates	658,334	
Equity in loss of movie business fund	122,528	
Other	238,010	1,300,080
<b>Ordinary income</b>		<b>3,677,819</b>
<b>Extraordinary gains:</b>		
Gain on sale/disposal of investment in securities	260,197	
Gain on sale/disposal of investment in unconsolidated subsidiaries and affiliates	457,870	
Reversal of allowance for doubtful accounts	78,726	
Gain on changes in equity	486,702	
Compensation for transfer and eviction of office	218,915	
Other	64,031	1,566,443
<b>Extraordinary losses:</b>		
Loss on disposal of fixed assets	523,424	
Loss on sale/disposal of investment in securities	392	
Loss on write-down of investment in securities	132,619	
Loss on write-down of investment in unconsolidated subsidiaries and affiliates	506,235	
Loss on changes in equity	4,848	
Impairment loss of fixed assets	1,393,108	
Other	439,161	2,999,790
<b>Income (loss) before income taxes and minority interests in net loss of subsidiaries</b>		<b>2,244,472</b>
Income taxes—current		3,791,218
Income taxes—deferred		2,104,659
Minority interests in net loss of subsidiaries		511,646
<b>Net income (loss)</b>		<b>(3,139,759)</b>

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

## Attached document (4)

**Consolidated Statement of Changes in Net Assets**

(from April 1, 2007, to March 31, 2008)

(Thousands of yen)

	Shareholders' equity				
	Common stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance as of March 31, 2007	29,065,968	23,080,728	8,576,441	(15,815,359)	44,907,778
Change during the fiscal year					
Dividends of surplus			(1,705,462)		(1,705,462)
Net income (loss)			(3,139,759)		(3,139,759)
Acquisition of treasury stock				(2,067,108)	(2,067,108)
Disposal of treasury stock		(23,161)		48,092	24,930
Employees' premium and welfare fund			(15,620)		(15,620)
Increase resulting from merger			(56,727)		(56,727)
Decrease as a result of decrease in equity method affiliates			(9,021)		(9,021)
Net change in items other than shareholders' equity during the fiscal term					–
Total change during the fiscal year	–	(23,161)	(4,926,591)	(2,019,015)	(6,968,768)
Balance as of March 31, 2008	29,065,968	23,057,566	3,649,849	(17,834,374)	37,939,010

(Thousands of yen)

	Valuation and translation adjustments				Minority interests	Total net assets
	Unrealized gain on securities	Deferred gains or losses on hedges	Foreign currency translation adjustment	Total valuation and translation adjustments		
Balance as of March 31, 2007	2,303,292	–	5,335,275	7,638,567	6,523,999	59,070,346
Change during the fiscal year						
Dividends of surplus				–		(1,705,462)
Net income (loss)				–		(3,139,759)
Acquisition of treasury stock				–		(2,067,108)
Disposal of treasury stock				–		24,930
Employees' premium and welfare fund				–		(15,620)
Increase resulting from merger				–		(56,727)
Decrease as a result of decrease in equity method affiliates				–		(9,021)
Net change in items other than shareholders' equity during the fiscal term	(1,992,762)	(7,134)	(618,868)	(2,618,765)	278,086	(2,340,679)
Total change during the fiscal year	(1,992,762)	(7,134)	(618,868)	(2,618,765)	278,086	(9,309,448)
Balance as of March 31, 2008	310,530	(7,134)	4,716,406	5,019,802	6,802,085	49,760,898

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

## Notes to Consolidated Financial Statement

### **Basis of preparation of consolidated financial statements**

#### 1. Scope of Consolidation

##### (1) Number of consolidated subsidiaries: 66

The names of principal consolidated subsidiaries

Transcosmos Investments & Business Development, Inc., J-Stream Inc., DoubleClick Japan Inc., APPLIED TECHNOLOGY CO., LTD., transcosmos Information Creative (China) Co., Ltd.

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

##### (New)

- CCP-Biotech 3 touchijigyokumiai (established on June 1, 2007)
- CCP-Global Fund I (established on June 15, 2007)
- CCP-Global Fund II (established on June 15, 2007)
- Japan Utility Charge Services (changed through additional acquisition from company accounted for by the equity method)
- WEB WORKS, Ltd. (newly acquired)
- Entermedia Inc. (newly acquired)
- Shenyang transcosmos Information System Co., Ltd. (established on December 3, 2007)
- Shanghai Wecosmos Interactive Services Co., Ltd. (additional acquisition)
- Beijing transcosmos Technologies Co., Ltd. (established on March 3, 2008)

##### (Excluded)

- Arekao Inc. (incorporated by merger with the Company on August 1, 2007)
- EnCompass Group Inc. (liquidation completed on August 30, 2007)

##### (2) Names of principal non-consolidated subsidiaries

transcosmos design development Co., Ltd., transcosmos MCM Korea Co., Ltd.

##### (Reason for exclusion from the scope of consolidation)

All non-consolidated subsidiaries are small in size, and each item of their total assets, net sales, net income (calculated according to our equity interest) and retained earnings (calculated according to our equity interest) is not substantial, and do not have a material impact on the consolidated financial statements.

#### 2. Application of equity method

##### (1) Number of affiliates: 21

Names of principal non-consolidated subsidiaries and affiliates accounted for by the equity method  
NetRatings Japan Inc., Forecast Communications Inc.

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

##### (New)

- Tensyn Communication Holding Co., Ltd. (newly acquired)
- Ares & Mercury Co., Ltd. (newly acquired)
- Smart Tips Inc. (newly acquired)
- EMNET INC. (newly acquired)

(Excluded)

- GLOBAL A Information Inc. (sold a portion of shares held)
- Japan Utility Charge Services (changed to consolidated subsidiary through additional acquisition)
- Synapse-phone Inc. (liquidation completed on August 24, 2007)
- S. M. Online, Ltd. (sold all shares held)
- X-networks Co., Ltd. (sold all shares held)
- DIGIMA inc. (started bankruptcy procedures as of January 4, 2008)

Although Ares & Mercury Co., Ltd. and Smart Tips Inc. in which the Company invested in the fiscal year are companies accounted for by the equity method, their profits and losses are not consolidated as they have different account closing dates, and their accounting period is not included in the consolidated fiscal year under review.

- (2) Non-consolidated subsidiaries that are not accounted for by the equity method (transcosmos design development Co., Ltd. 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) Among companies in which the Company has invested through the purchase of securities for operating purposes, the following are the names of those companies which are not included in the scope of the affiliates of the Company but which are substantially owned by the company through ownership of voting rights at a ratio of not more than one-half and not less than one-fifth.
- DIGIT Co., Ltd.
  - autobytel Japan K.K.
  - Become, Inc.
  - Pheedo, Inc.
  - CHINASOURCE LIMITED

(Reason for excluding from affiliates)

We acquired shares of the above companies as investment companies for primary operating purposes. Accordingly, we will not control these investment companies through transactions involving operations, personnel affairs, or funds.

- (4) For those subsidiaries accounted for by the equity method that have different account closing dates from the Company, financial statements are stated according to fiscal year of the respective companies.

### 3. Fiscal year, etc. of the consolidated subsidiaries

Following are the consolidated subsidiaries with different account closing dates from the Company.

(Account closing date: December 31)

- |   |  |
|---|--|
| • Listen Japan, Inc.                      | • transcosmos Information system (Shanghai) Co., Ltd.  |
| • Shockwave Entertainment, Inc            | • transcosmos MCM Shanghai Co., Ltd.                   |
| • APPLIED TECHNOLOGY CO., LTD.            | • Career Incubation USA, Inc.                          |
| • Ask.jp Co., Ltd.                        | • IBR Inc.   |
| • Become, Japan Corporation               | • CIC Korea, Inc.                                      |
| • CCP Mezzanine 2006 Tōshijigiyokumiai    | • Shine Harbour Ltd.                                   |
| • CinemaNow Japan Inc.                    | • APPLIED TECHNOLOGY KOREA, INC.                       |
| • Organic Trend International Corporation | • Transcosmos Information Creative Holdings            |
| • TransCosmos Technologies Inc.           | • Access Markets International Partners, Inc.          |
| • CCP-Global Fund I.                      | • Inwoo Tech, Inc.                                     |
| • CCP-Biotech 3 tōshijigiyokumiai         | • Guangzhou transcosmos Information Creative Co., Ltd. |

- transcocosmos Information Creative (China) Co., Ltd.
- transcocosmos America, Inc.
- Transcosmos Investments & Business Development, Inc.
- Beijing transcocosmos Technologies Co., Ltd.
- Shenyang transcocosmos Information System Co., Ltd.
- OneXeno Limited
- Transcosmos Investments & Business Development (China), LLC.
- Shanghai Wecosmos Interactive Services Co., Ltd.

The consolidated financial statements are prepared based on the financial statements of each of the consolidated subsidiaries as of its account closing date. In the case of significant transactions that took place between the account closing dates of the consolidated subsidiaries and the consolidated account closing date, necessary adjustments are made for consolidation purposes.

(Account closing date: Other)

Names of company	Account closing date
• BandWagon, Inc.	April 30
• Larc ccp9 tousijigyokumiai	May 31
• Larc ccp15 tousijigyokumiai	May 31
• CCP-Global Fund II	May 31
• Larc ccp10 tousijigyokumiai	July 31
• Larc ccp12 tousijigyokumiai	August 31
• CAREER INCUBATION, INC.	September 30
• Japan Utility Charge Services	September 30

The consolidated financial statements are prepared based on the financial statements of each of the consolidated subsidiaries prepared on the basis of the provisional closing of account as of the consolidated account closing date.

#### 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 net assets and costs of securities sold are calculated using the moving-average method.)

Securities without market value..... Stated at cost using the moving-average method.

Investments to limited liability partnership for investment, etc.

The evaluation is based on the Company's holding ratio of the net asset of the limited liability partnership for investment, etc., in which the Company invests, in the most recent fiscal year.

##### (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 mainly use the declining-balance method.

Buildings (excluding building fixtures)

a) Buildings acquired on or before March 31, 1998  
Depreciated using the old declining-balance method.

b) Buildings acquired on or before March 31, 2007 after April 1, 1998  
Depreciated using the old straight-line method.

c) Buildings acquired after April 1, 2007  
Depreciated using the straight-line method.

Other property and equipment

a) Other property and equipment acquired on or before March 31, 2007  
Depreciated using the old declining-balance method.

b) Other property and equipment acquired after April 1, 2007  
Depreciated using 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.

Overseas consolidated subsidiaries mainly use the straight-line method.

(Change in accounting standards)

According to the amendment of the Corporation Tax Law ("Partial Amendment of Income Tax Law" (Law No.6, March 30, 2007) and "Government Ordinance Partially Amending Corporation Tax Law Enforcement Order" (Government Ordinance No.83, March 30, 2007)), tangible fixed assets acquired on or after April 1, 2007 are depreciated using the method specified in the revised Corporation Tax Law.

Operating income, ordinary income, and income (loss) before income taxes and minority interests in net loss of subsidiaries decreased by 164,986,000 yen respectively, due to the change.

(Additional information)

For the tangible fixed assets acquired on or before March 31, 2007, the Company and the consolidated domestic subsidiaries include them in the depreciation cost by amortizing the difference between the amount equal to 5% of the acquisition cost and the memorandum value by equal installments over 5 years, from the consolidated fiscal year following the consolidated fiscal year during which the value of a tangible fixed asset reaches 5% of its acquisition cost due to the adoption of depreciation methods under the pre-revised Corporation Tax Law.

Operating income, ordinary income, and income (loss) before income taxes and minority interests in net loss of subsidiaries decreased by 6,581,000 yen respectively, due to the amendment.

Intangible fixed assets..... Depreciated mainly using 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, accruals and reserves

Allowance for doubtful accounts..... Allowance for estimated uncollectible amounts are calculated using historical data for general receivables and individually considering the probability of collection for doubtful receivables.

Accrued bonuses for employees..... Accrued bonuses for employees of the Company and domestic consolidated subsidiaries is 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 certain consolidated subsidiaries is 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 by the straight-line method over the specific period of time (5 years) which is not more than the average remaining service period of employees at the time such prior year service cost was incurred.

Unrecognized actuarial differences are amortized starting from the year following the year in which the gain or loss is recognized by the straight-line method over the specific period of time (5 years) which is not more than the average remaining service period of employees at the time such prior year service cost was incurred.

(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”.

(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) Significant hedge accounting

- (1) Hedge accounting method:..... 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 hedging and hedged items: ... Means for hedging: Interest rate swaps and forward foreign exchange contract  
Hedged items: Borrowings, monetary liabilities denominated in foreign currency, and prospective transactions in foreign currency
- (3) Hedging policy: ..... Interest rate swaps are entered into with the purpose of avoiding risks of fluctuations in interest rates and forward exchange contract are entered into with the purpose of avoiding risks of fluctuations in foreign exchange rates, in accordance with the internal rules.
- (3) Assessment method of effectiveness of hedges:  
Effectiveness of hedges is assessed based on a correlation of value fluctuations obtained by comparing accumulated value fluctuations of hedged items and means for hedging.

(9) Other significant accounting policies

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

5. Valuation of assets and liabilities of consolidated subsidiaries

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

6. Amortization of goodwill

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

7. Change in important items that form the basis for the preparation of the consolidated financial statements

(Accounting standard for tax effect accounting)

The revised “Practical Guidelines for Tax Effects on Consolidated Financial Statements” (JICPA Laws and Regulations Committee Report No. 6, March 29, 2007) have been applied from the current consolidated fiscal year. As a result, income taxes-deferred has increased 2,221,776,000 yen and the equal amount has increased in the net loss.

## Notes to the Consolidated Balance Sheet

1. Accumulated depreciation of tangible fixed assets	¥9,301,283 thousand
2. Assets pledged as collateral:	
Bank deposit	¥1,000 thousand
Buildings and structures	¥454,691 thousand
Land	¥263,868 thousand
<u>Total</u>	<u>¥719,559 thousand</u>

### Secured liabilities:

Accounts payable - trade	¥18,028 thousand
Short-term bank loans	¥91,200 thousand
Current portion of bonds	¥36,000 thousand
Current portion of long-term bank loans	¥174,530 thousand
Bonds	¥36,000 thousand
Long-term bank loans	¥14,305 thousand
<u>Total</u>	<u>¥370,063 thousand</u>

### 3. Contingent liabilities

The Company was sued on August 3, 2007, by GE Capital Leasing Corporation for the reimbursement of sales proceeds of approximately 1.9 billion yen from transactions of ASP type CAD software, and 5 other companies involved in said transactions were sued a total of approximately 5.8 billion yen in damages. Although these two lawsuits are separate, the fact is that they are overlapping maximum amounts of 1.9 billion yen. These transactions are stemmed from the fraud committed on the part of former employees of end users because agreements between them and GE Capital Leasing Corporation were denied thus leading to lawsuits filed against the Company, as the seller to GE Capital Leasing Corporation, 2 other companies along with the end users.

## Notes to the Consolidated Statement of Changes in Net Assets

### 1. Total number of shares issued

Class of shares	Number of shares at the end of the previous consolidated fiscal year	Number of shares increased during the current consolidated fiscal year	Number of shares decreased during the current consolidated fiscal year	Number of shares at the end of the current consolidated fiscal year
Common stock (shares)	48,794,046	—	—	48,794,046

### 2. Treasury stock

Class of shares	Number of shares at the end of the previous consolidated fiscal year	Number of shares increased during the current consolidated fiscal year	Number of shares decreased during the current consolidated fiscal year	Number of shares at the end of the current consolidated fiscal year
Common stock (shares)	6,157,473	1,663,495	18,838	7,802,130

(Outline of causes for changes)

Details of number of shares increased are as follows.

Increase due to the acquisition of treasury stock: 1,563,800 shares

Increase due to purchase of shares less than one unit: 495 shares

Increase due to purchase of shares from anti-merger shareholders: 99,200 shares

Details of number of shares decreased are as follows.

Decrease due to the exercise of stock options: 18,800 shares

Decrease due to sales of shares less than one unit: 38 shares

3. Shares subject to the stock acquisition rights (excluding the Stock Acquisition Rights for which the exercise period does not arrive) as of the fiscal year

	Class of shares subject to the stock acquisition rights	Number of shares subject to the stock acquisition rights (shares)
Stock acquisition rights for 2002	Common stock	149,600
Stock acquisition rights for 2003	Common stock	197,600
Stock acquisition rights for 2004	Common stock	213,000
Stock acquisition rights for 2005	Common stock	250,600
Bonds with stock subscription rights (convertible bonds type) in euro due 2008	Common stock	2,345,158
First Trust-type Rights Plan	Common stock	75,000,000
Total		78,155,958

4. Dividends

(1) Dividends paid

Resolution	Class of shares	Total amount of dividends (thousands of yen)	Dividend per share (yen)	Record date	Effective date
Annual General Meeting of Shareholders held on June 26, 2007	Common stock	1,705,462	40	March 31, 2007	June 27, 2007

(2) Dividends with an effective date falling in the following consolidated fiscal year, among distributions with record dates belonging to the current consolidated fiscal year

Resolution	Class of shares	Resource of distribution	Total amount of distributions (thousands of yen)	Dividend per share (yen)	Record date	Effective date
Annual General Meeting of Shareholders to be held on June 25, 2008	Common stock	Retained earnings	1,639,676	40	March 31, 2008	June 26, 2008

### Notes regarding per share data

- |                         |              |
|-------------------------|--------------|
| 1. Net assets per share | 1,047.98 yen |
| 2. Net loss per share   | 74.37 yen    |

### Notes regarding significant subsequent events

The Company resolved at the Board of Directors meeting held on March 24, 2008, that it shall acquire treasury stock in accordance with the provisions of Article 156 of the Company Law (by reading it in accordance with the provisions of Paragraph 3, Article 165 of the Company Law).

#### 1. Reason for acquisition of treasury stock

To enable adroit capital policies in accordance with the provisions of the Articles of Incorporation

#### 2. Details of acquisition

- |   |                                       |
|---|---------------------------------------|
| (1) Class of stock:                           | Common stock                          |
| (2) Total number of shares to be acquired:    | 900,000 shares (maximum)              |
| (3) Total acquisition price for shares:       | 1,000,000,000 yen (maximum)           |
| (4) Period for acquisition of treasury stock: | From April 1, 2008, to April 30, 2008 |

#### 3. Acquisitions conducted

- |                              |                 |
|------------------------------|-----------------|
| (1) Shares acquired:         | 760,600 shares  |
| (2) Total acquisition price: | 996,819,000 yen |

## Attached document (5)

**Non-Consolidated Balance Sheet**

(As of March 31, 2008)

(Thousands of yen)

Assets		Liabilities	
Account item	Amount	Account item	Amount
<b>Current assets</b>	<b>31,434,992</b>	<b>Current liabilities</b>	<b>24,467,397</b>
Cash and deposits	3,841,986	Accounts payable - trade	6,401,440
Notes receivable	50,244	Current portion of bonds payable	5,171,000
Accounts receivable - trade	20,642,685	Accounts payable	2,235,833
Investment in securities for operating purposes	3,027,024	Accrued expenses	3,691,499
Merchandise	1,365	Income taxes payable	2,302,975
Work and software in progress	138,214	Accrued consumption tax	1,138,135
Supplies	5,641	Advances received	361,946
Advances	330,541	Deposits received	155,605
Prepaid expenses	688,402	Accrued bonuses for employees	2,843,315
Deferred tax assets	1,576,693	Other	165,646
Short-term loans	557,488		
Other	621,607	<b>Fixed liabilities</b>	<b>14,634,835</b>
Allowance for doubtful accounts	(46,901)	Long-term bank loans	14,500,000
<b>Fixed assets</b>	<b>59,424,581</b>	Security deposits received	11,200
<b>Tangible fixed assets</b>	<b>5,014,807</b>	Deferred tax liabilities	33,635
Buildings	1,494,689	Other	90,000
Structures	250,944		
Machinery and transportation	62	<b>Total liabilities</b>	<b>39,102,233</b>
Tools, furniture and fixtures	2,705,018		
Land	564,092		
<b>Intangible fixed assets</b>	<b>1,350,832</b>		
Software	700,114		
Telephone rights	83,675		
Utility rights	1,747		
Goodwill	550,925		
Software in progress	14,370		
<b>Investments and other assets</b>	<b>53,058,941</b>		
Investment in securities	1,453,166		
Investment in stocks of subsidiaries and affiliates	37,078,524		
Investment in other securities of subsidiaries and affiliates	1,098,971		
Investment in subsidiaries and affiliates	1,119,050		
Long-term loans receivable from subsidiaries and affiliates	10,418,585		
Security deposits	3,029,366		
Prepaid pension costs	1,963,858		
Other	913,243		
Allowance for doubtful accounts	(4,015,825)		
<b>Total assets</b>	<b>90,859,574</b>		
		<b>Net Assets</b>	
		<b>Shareholders' equity</b>	<b>51,408,742</b>
		<b>Common stock</b>	<b>29,065,968</b>
		<b>Capital surplus</b>	<b>23,057,566</b>
		Other capital reserve	23,057,566
		<b>Retained earnings</b>	<b>17,119,582</b>
		Legal retained earnings	170,546
		Other retained earnings	16,949,035
		Unappropriated retained earnings	16,949,035
		<b>Treasury stock</b>	<b>(17,834,374)</b>
		<b>Valuation and translation adjustments</b>	<b>348,597</b>
		<b>Net unrealized gain on securities</b>	<b>348,597</b>
		<b>Total net assets</b>	<b>51,757,340</b>
		<b>Total liabilities and net assets</b>	<b>90,859,574</b>

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

## Attached document (6)

**Non-Consolidated Statement of Income**

(from April 1, 2007, to March 31, 2008)

(Thousands of yen)

Account item	Amount Net sales	
<b>Net sales</b>		<b>133,020,556</b>
<b>Cost of sales</b>		<b>105,722,589</b>
<b>Gross Profit</b>		<b>27,297,966</b>
<b>Selling, general and administrative expenses</b>		<b>19,247,605</b>
<b>Operating income</b>		<b>8,050,361</b>
<b>Non-operating income:</b>		
Interest income	124,423	
Dividend income	41,298	
Subsidy income	32,972	
Other	129,261	327,955
<b>Non-operating expenses:</b>		
Interest expenses	216,746	
Losses in investment in limited liability partnership	69,805	
Loss in investment in movie business fund	122,528	
Other	87,527	496,608
<b>Ordinary income</b>		<b>7,881,708</b>
<b>Extraordinary gains:</b>		
Gain on sale/disposal of investment in securities	5,268	
Gain on sale/disposal of investment in subsidiaries and affiliates	73,917	
Gain on dissolution of subsidiaries and affiliates	188,280	
Reversal of allowance for doubtful accounts	63,981	
Compensation for eviction and relocation of offices	218,915	
Other	2,962	553,325
<b>Extraordinary losses:</b>		
Loss on disposal of fixed assets	424,722	
Loss on write-down of investment in securities	119,078	
Loss on write-down of investment in unconsolidated subsidiaries and affiliates	661,806	
Bad debt expense	540,700	
Other	93,011	1,839,319
<b>Income before income taxes</b>		<b>6,595,714</b>
Income taxes—current		3,205,696
Income taxes—deferred		71,596
<b>Net income</b>		<b>3,318,422</b>

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

## Attached document (7)

**Non-Consolidated Statement of Changes in Net Assets**

(from April 1, 2007, to March 31, 2008)

(Thousands of yen)

	Shareholders' equity		
	Common stock	Capital surplus	
		Other capital surplus	Total capital surplus
Balance as of March 31, 2007	29,065,968	23,080,728	23,080,728
Change during the fiscal year			
Dividends of surplus			–
Net income			–
Acquisition of treasury stock			–
Disposal of treasury stock		(23,161)	(23,161)
Net change in items other than shareholders' equity during the fiscal year			–
Total change during the fiscal year	–	(23,161)	(23,161)
Balance as of March 31, 2008	29,065,968	23,057,566	23,057,566

(Thousands of yen)

	Shareholders' equity				
	Retained earnings			Treasury stock	Total shareholders' equity
	Legal retained earnings	Other retained earnings	Total retained earnings		
		Retained earnings brought forward			
Balance as of March 31, 2007	–	15,506,622	15,506,622	(15,815,359)	51,837,960
Change during the fiscal year					
Dividends of surplus	170,546	(1,876,009)	(1,705,462)		(1,705,462)
Net income		3,318,422	3,318,422		3,318,422
Acquisition of treasury stock			–	(2,067,108)	(2,067,108)
Disposal of treasury stock			–	48,092	24,930
Net change in items other than shareholders' equity during the fiscal year			–		–
Total change during the fiscal year	170,546	1,442,412	1,612,959	(2,019,015)	(429,218)
Balance as of March 31, 2008	170,546	16,949,035	17,119,582	(17,834,374)	51,408,742

(Thousands of yen)

	Valuation and translation adjustments		Total net assets
	Unrealized gain on securities	Total valuation and translation adjustments	
Balance as of March 31, 2007	2,059,401	2,059,401	53,897,362
Change during the fiscal year			
Dividends of surplus		–	(1,705,462)
Net income		–	3,318,422
Acquisition of treasury stock		–	(2,067,108)
Disposal of treasury stock		–	24,930
Net change in items other than shareholders' equity during the fiscal year	(1,710,803)	(1,710,803)	(1,710,803)
Total change during the fiscal year	(1,710,803)	(1,710,803)	(2,140,021)
Balance as of March 31, 2008	348,597	348,597	51,757,340

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

## Notes to Non-Consolidated Financial Statements

### 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 net assets and costs of securities sold are calculated using the moving-average method.)
Securities without market value	Stated at cost using the moving-average method. Investments to limited liability partnership for investment, etc. The evaluation is based on the Company's holding ratio of the net asset of the limited liability partnership for investment, etc., in which the Company invests, in the most recent fiscal year.

#### 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
	Buildings (excluding building fixtures)
	a. Buildings acquired on or before March 31, 1998 Depreciated using the old declining-balance method.
	b. Buildings acquired on or before March 31, 2007 after April 1, 1998 Depreciated using the old straight-line method.
	c. Buildings acquired after April 1, 2007 Depreciated using the straight-line method.
	Other property and equipment
	a. Other property and equipment acquired on or before March 31, 2007 Depreciated using the old declining-balance method.
	b. Other property and equipment acquired after April 1, 2007 Depreciated using 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.

(Change in accounting standards)

According to the amendment of the Corporation Tax Law (“Partial Amendment of Income Tax Law” (Law No.6, March 30, 2007) and “Government Ordinance Partially Amending Corporation Tax Law Enforcement Order” (Government Ordinance No.83, March 30, 2007)), tangible fixed assets acquired on or after April 1, 2007 are depreciated using the method specified in the revised Corporation Tax Law.

Operating income, ordinary income, and income (loss) before income taxes and minority interests in net loss of subsidiaries decreased by 99,915 thousand yen respectively, due to the amendment.

(Additional information)

Starting this fiscal term, we include the tangible fixed assets acquired on or before March 31, 2007 in the depreciation cost by amortizing the difference between the amount equal to 5% of the acquisition cost and the memorandum value by equal installments over 5 years, from the fiscal term following the fiscal term during which the value of a tangible fixed asset reaches 5% of its acquisition cost due to the adoption of depreciation methods under the pre-revised Corporation Tax Law. Operating income, ordinary income, and income (loss) before income taxes and minority interests in net loss of subsidiaries decreased by 6,020 thousand yen respectively, due to the amendment.

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. Policies of accounting for allowances, accruals and reserves

Allowance for doubtful accounts..... Allowance for estimated uncollectible amounts for claims as of the fiscal year-end are calculated using historical data for general receivables and individually considering the probability of collection for doubtful receivables.

Accrued bonuses for employees ..... Accrued 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 for employees is 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 by the straight-line method over the specific period (5 years) which is not more than the average remaining service period of employees at the time such prior year service cost was incurred.

Unrecognized actuarial differences are amortized starting from the year following the year in which the gain or loss is recognized by the straight-line method over the specific period of time (5 years) which is not more than the average remaining service period of employees at the time such prior year service cost was incurred.

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 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 hedging and hedged items: ..... Means for hedging: Interest rate swaps  
Hedged items: Borrowings
- (3) Hedging policy: ..... Interest rate swaps are entered into to hedge the risks of fluctuations in interest rates in accordance with the Company's internal rules.
- (4) Assessment method of effectiveness of hedges:  
Effectiveness of hedges is assessed based on a correlation of value fluctuations obtained by comparing accumulated value fluctuations of hedged items and means for hedging.

8. Accounting for consumption taxes .....

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

## Notes to the Non-Consolidated Balance Sheet

1. Short-term monetary receivables from subsidiaries and affiliates	¥984,909 thousand
Short-term monetary payables to subsidiaries and affiliates	¥1,554,550 thousand
Long-term monetary receivables from subsidiaries and affiliates	¥10,562,376 thousand
2. Accumulated depreciation of tangible fixed assets	¥4,143,610 thousand
3. Guarantee liability:	
Guarantee on deposit obligations from subsidiaries and affiliates Tci-Business-Service Co., Ltd.	¥5,489,000 thousand
Guarantee on leasehold contracts	
BPS, Inc.	¥352,711 thousand
WEB WORKS, Ltd.	¥46,159 thousand
transcosmos field marketing inc.	¥7,744 thousand
<u>Total</u>	<u>¥406,614 thousand</u>
Guarantee on lease agreement obligations Qingdao Zuki Industrial Design Co., Ltd.	¥129,760 thousand
4. A deposit of ¥1,000 thousand was pledged as collateral.	
5. Contingent liabilities	
The Company was sued on August 3, 2007, by GE Capital Leasing Corporation for the reimbursement of sales proceeds of approximately 1.9 billion yen from transactions of ASP type CAD software, and 5 other companies involved in said transactions were sued a total of approximately 5.8 billion yen in damages. Although these two lawsuits are separate, the fact is that they are overlapping maximum amounts of 1.9 billion yen. These transactions are stemmed from the fraud committed on the part of former employees of end users because agreements between them and GE Capital Leasing Corporation were denied thus leading to lawsuits filed against the Company, as the seller to GE Capital Leading Corporation, 2 other companies along with the end users.	

## Notes to the Non-Consolidated Statement of Income

Transactions with subsidiaries and affiliates	
Net sales	¥2,317,355 thousand
Net purchase	¥13,002,272 thousand
Transactions other than operating transactions	¥144,588 thousand

## Notes to the Non-Consolidated Statement of Changes in Net Assets

### Treasury stock

Class of shares	Number of shares at the end of the previous fiscal year	Number of shares increased during the current fiscal year	Number of shares decreased during the current fiscal year	Number of shares at the end of the current fiscal year
Common stock (shares)	6,157,473	1,663,495	18,838	7,802,130

(Outline of causes for changes)

Details on the number of shares increased are as follows.

Increase due to the acquisition of treasury stock	1,563,800 shares
Increase due to purchase of shares less than one unit:	495 shares
Increase due to the purchase of shares from anti-merger shareholders	99,200 shares

Details on the number of shares decreased are as follows.

Decrease due to the exercise of stock options	18,800 shares
Decrease due to sales of shares less than one unit:	38 shares

### Notes concerning tax effect accounting

Details by primary causes of deferred tax assets and deferred tax liabilities

Deferred tax assets:

Accrued bonuses	1,156,944 thousand
Wages payable	3,662 thousand
Accrued enterprise tax	216,724 thousand
Loss on write-down of investment in securities for operating purposes	632,970 thousand
Loss on write-down of investment in securities	123,566 thousand
Loss on write-down of investment in stocks of subsidiaries and affiliates	1,130,202 thousand
Loss on write-down of golf membership	149,237 thousand
Equity in loss of video industry association	299,430 thousand
Bad debt expense	1,346,672 thousand
Impairment loss on fixes assets	325,082 thousand
Prepaid pension costs	(799,093) thousand
Other	332,857 thousand
Sub-total	4,918,259 thousand
Provision for devaluation	(3,223,576) thousand
Total of deferred tax assets	1,694,682 thousand

Deferred tax liabilities:

Net unrealized gain on investment in other securities	151,625 thousand
Total of deferred tax liabilities	151,625 thousand

Net of deferred tax assets 1,543,057 thousand

### Notes concerning leased fixed assets

In addition to the fixed assets stated in the Balance Sheet, the Company uses computers and computer peripherals by lease agreement.

1. Acquisition costs equivalents, accumulated depreciation equivalents, and year-end balance equivalents of leased assets

	Acquisition costs equivalents (thousands of yen)	Accumulated depreciation equivalents (thousands of yen)	Year-end balance equivalents (thousands of yen)
Building	3,300	2,750	550
Tools, furniture, and fixtures	517,393	280,373	237,019
Software	133,669	65,671	67,998
Total	654,363	348,795	305,568

2. Year-end balance of prepaid lease equivalents
- |                 |                   |
|-----------------|-------------------|
| Within one year | ¥165,615 thousand |
| Over one year   | ¥147,982 thousand |
| Total           | ¥313,597 thousand |
3. Lease expenses, accumulated depreciation equivalents, and interest expense equivalents
- |                                      |                   |
|--------------------------------------|-------------------|
| Lease expenses                       | ¥207,468 thousand |
| Accumulated depreciation equivalents | ¥201,019 thousand |
| Interest expense equivalents         | ¥5,181 thousand   |
4. Calculation method for depreciation equivalents
- Depreciation equivalents of leased assets are calculated by straight-line method based on lease period of useful lives with residual values of zero.
5. Calculation method for interest expense equivalents
- An interest expense equivalent is the difference between the total amount of lease expenses and the acquisition costs equivalents of leased assets. The interest expense equivalents are allocated to each fiscal year by the interest method.

## Notes to transactions with related parties

### 1. Directors and statutory auditors, primary shareholders, etc.

(Thousands of yen)

Type	Name of company, etc.	Percentage of owning (owned) voting rights, etc. (%)	Related parties involved in transaction	Type of transaction	Transaction amount	Account	Balance as of the end of the fiscal year
Director or statutory auditor	Shojiro Takashima	Owned Direct (0.0)	Executive Vice President, Director	Exercise of stock option	1,639	-	-
Director, statutory auditor, or immediate family	Shozo Okuda	Owned Direct (0.7)	Special Advisor	Payment of advisory fee (Note 1)	2,711	-	-
Companies, etc., owned by directors or statutory auditors, or their immediate families (through ownership of a majority of voting rights)	HM Kosan, Ltd.	Directly owning 100%	Rental of real estate	Offer of corporate housing (Note 2)	5,880	-	-

Notes:

1. The transaction was conducted under the same transaction terms applied for ordinary advisor agreements.
2. The transaction was conducted under the same transaction terms applied for other corporate housing, and the transaction amount excludes consumption taxes. In addition, the voting rights of HM Kosan, Ltd. are wholly and directly owned by the immediate families (shareholders of the Company) of Koki Okuda, Founder, Representative Director of the Company & Group CEO.
3. Percentages of owning (owned) voting rights, etc. are rounded off to the nearest first decimal place.

## 2. Subsidiaries, affiliates, etc.

(Thousands of yen)

Type	Name of company, etc.	Percentage of owning (owned) voting rights, etc. (%) (Note 5)	Details of relationship		Type of transaction	Transaction amount (Note 4)	Account	Balance as of the end of the fiscal year
			Combination of offices of directors or statutory auditors, etc.	Factual relationship				
Subsidiary	Transcosmos Investments & Business Development, Inc.	Owning Direct 100.0%	4	Investment in venture business	Subscription for issuance of shares (Note 1)	2,139,360	–	–
Subsidiary	Tei-Business-Service Co., Ltd.	Owning Direct 100.0%	–	Loan of funds	Loan of funds (Note 2)	5,871,000	Long-term loans receivable	10,217,585
					Collection of loan (Note 2)	1,837,294		
					Guarantee of obligations (Note 3)	5,489,000	–	–

Transaction terms and decision policies of transaction terms, etc.

(Note 1) Due to the issuance of shares through a shareholder allocation.

(Note 2) The interest rate of the loan was determined reasonably based on the market interest rate.

(Note 3) This guarantees obligations in custody from the subsidiaries and affiliates.

(Note 4) Transactions subject to consumption taxes are recorded at amounts exclusive of consumption taxes.

(Note 5) Percentages of owning (owned) voting rights, etc. are expressed down to the nearest first decimal place.

### Notes concerning per share data

- |                         |              |
|-------------------------|--------------|
| 1. Net assets per share | 1,262.62 yen |
| 2. Net income per share | 78.60 yen    |

### Notes concerning significant subsequent events

The Company resolved at the Board of Directors meeting held on March 24, 2008, that it shall acquire treasury stock in accordance with the provisions of Article 156 of the Company Law (by reading it in accordance with the provisions of Paragraph 3, Article 165 of the Company Law).

#### 1. Reason for acquisition of treasury stock

To enable adroit capital policies in accordance with the provisions of the Articles of Incorporation

#### 2. Details of acquisition

- |   |                                       |
|---|---------------------------------------|
| (1) Class of stock:                           | Common stock                          |
| (2) Total number of shares to be acquired:    | 900,000 shares (maximum)              |
| (3) Total acquisition price for shares:       | 1,000,000,000 yen (maximum)           |
| (4) Period for acquisition of treasury stock: | From April 1, 2008, to April 30, 2008 |

### 3. Acquisitions conducted

(1) Shares acquired:	760,600 shares
(2) Total acquisition price:	996,819,000 yen

**Attached document (8)**

Certified Copy of the Accounting Auditors' Report

**REPORT OF INDEPENDENT AUDITORS**

May 15, 2008

To the Board of Directors of transcosmos inc.

**Ernst & Young ShinNihon**

Designated and Engagement Partner  
Certified Public Accountant  
Isao Onda

Designated and Engagement Partner  
Certified Public Accountant  
Kazuo Ogawa

Designated and Engagement Partner  
Certified Public Accountant  
Go Nakagawa

Pursuant to Article 444, Paragraph 4 of the Company Law, we have audited the financial statements, that is, the consolidated balance sheet, the consolidated statement of income, the consolidated statement of changes in net assets, and the notes to consolidated financial statements of the Company applicable to the fiscal year from April 1, 2007 to March 31, 2008. These consolidated financial statements 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 financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements 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 financial statements. 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 financial statements properly present in all material respects the Company's financial position and the results of operations of the group in accordance with accounting standards generally accepted in Japan.

**Additional Information**

As disclosed in the Change in accounting standards under the Basis of preparation of consolidated financial statements, the Company adopted the revised "Practical Guidelines for Tax Effects on Consolidated Financial Statements" from the current consolidated fiscal year.

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.

**Attached document (9)**

Certified Copy of the Accounting Auditors' Report

**REPORT OF INDEPENDENT AUDITORS**

May 15, 2008

To the Board of Directors of transcosmos inc.

**Ernst & Young ShinNihon**

Designated and Engagement Partner  
Certified Public Accountant  
Isao Onda

Designated and Engagement Partner  
Certified Public Accountant  
Kazuo Ogawa

Designated and Engagement Partner  
Certified Public Accountant  
Go Nakagawa

Pursuant to Article 436, Paragraph 2, Item 1 of the Company Law, we have audited the financial statements, that is, the balance sheet, the statement of income, the statement of changes in net assets, the notes to financial statements, and the supplementary schedules of the Company applicable to the 23<sup>rd</sup> business year from April 1, 2007 to March 31, 2008. These financial statements 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 financial statements 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 financial statements and the supplementary schedules, assessing the accounting policies used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. 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 financial statements and the supplementary schedules properly present in all material respects the Company's financial position and the results of operations of the group in accordance with accounting standards generally accepted in Japan. 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.

**Attached document (10)**

Certified Copy of the Audit Report of the Board of Statutory Auditors

**AUDIT REPORT OF STATUTORY AUDITORS**

The Board of Statutory Auditors, having deliberated the issues based on the reports made by each Statutory Auditor concerning the methods and results of their audit of the business activities of the directors for the 23<sup>rd</sup> business term from April 1, 2007 to March 31, 2008, prepared this Audit Report and hereby submits it as follows:

1. Outline of auditing method applied by the Statutory Auditors and the Board of Statutory Auditors:  
The Board of Statutory Auditors established the auditing policies and the audit plan for the term under review, received reports and explanations regarding the status of audits and the results thereof from each Statutory Auditor, as well as reports and explanations regarding the status of the execution of duties from the Directors and Accounting Auditor, and requested explanation as necessary.

In accordance with the auditing standards for Statutory Auditors determined by the Board of Statutory Auditors and the auditing policies and the audit plan for the term under review, each Statutory Auditor endeavored to collect information and established auditing circumstances through communication with directors, internal audit staff and other employees, and attended the Board of Directors' meeting and other important meetings to receive reports regarding execution of duties from directors, employees, etc. and requested explanations as necessary. Each Statutory Auditor also inspected the significant approved documents and examined the status of operations and conditions of assets at its head office and principal offices. Each Statutory Auditor monitored and verified the resolutions adopted by the Board of Directors regarding the establishment of the system for ensuring that the directors' duties are executed in conformity of laws and regulations, and the Articles of Incorporation of the Company, and the establishment of the system necessary to ensure proper business operations of the company set forth in Items 1 and 3 of Article 100 of the Ordinance for Enforcement of the Company Law, and the systems (Internal Control System) established in accordance with the resolution of the Board of Directors. Statutory Auditors received from subsidiaries their business reports as necessary through communication and information sharing with their directors and statutory auditors. Statutory Auditors also reviewed the basic policy stipulated in Item 1, Article 127 of the Ordinance for Enforcement of the Company Law and the activities stipulated in Item 2 of the same Ordinance which are described in the business report, based on the deliberations at the meetings of the Board of Directors and other meetings. In accordance with the procedures mentioned above, we reviewed the business reports and supplementary schedules for the year ended on March 31, 2008.

Further, Statutory Auditors monitored and verified that Accounting Auditor maintains independence and conduct the audits appropriately. Each Statutory Auditor also received reports of the status of the execution of duties from Accounting Auditor and requested explanation as necessary. In addition, we were informed of the arrangement of the "System for ensuring that the duties are executed appropriately" (matters stipulated in the items of Article 159 of the Corporate Accounting Rules in accordance with "Standards for the Quality Control of Audits" (Business Accounting Council, October 28, 2005)) from the Accounting Auditor and requested explanations as necessary. In accordance with the procedures mentioned above, we reviewed the financial statements (the balance sheet, statement of income, statement of changes in net assets and notes to the financial statements), and the supplementary schedules, as well as the consolidated financial statements (the consolidated balance sheet, consolidated statement of income, consolidated statement of changes in net assets and notes to the consolidated financial statements), and the supplementary schedules, for the year ended on March 31, 2008.

## 2. Results of Audit

### (1) Results of audit of business report etc.

- 1) The business reports and supplementary schedules present fairly the financial condition of the Company in conformity with related laws and regulations, and the Articles of Incorporation of the Company;
- 2) Regarding the performance of duties by Directors, there were no instances of misconduct or material matters in violation of laws and regulations, nor the Articles of Incorporation of the Company; and
- 3) Resolution of the Board of Directors regarding the internal control system is fair and reasonable. There are no matters requiring additional mention regarding such internal control and the execution of duties by Directors.
- 4) There are no matters to be pointed out with respect to the basic principles on those who shall control the decision of the Company's financial and operational policies described in the business reports. Activities stipulated in Item 2, Article 127 of the Enforcement Regulations for the Company Law, which are described in the business reports, are in line with such basic principles, unharmed to common interest of shareholders, and not intended to maintain the positions of Directors or Statutory Auditors of the Company.

### (2) Results of audit of financial statements and supplementary schedules

The auditing methods and results of the Accounting Auditor, Ernst & Young ShinNihon, are fair and reasonable.

### (3) Results of audit of consolidated financial statements and supplementary schedules

The auditing methods and results of the Accounting Auditor, Ernst & Young ShinNihon, are fair and reasonable.

May 15, 2008

Board of Statutory Auditors of transcosmos inc.  
Standing Statutory Auditor Mitsuo Ishii  
Statutory Auditor Teruyuki Hiroyuki  
Statutory Auditor Kazushi Watanabe  
Statutory Auditor Toshiaki Nakamura

## Reference Documents for the Annual General Meeting of Shareholders

### 1. Proposals and references

#### **Proposal No. 1:** Appropriation of Surplus for the 23<sup>rd</sup> Fiscal Term

Year-end dividend

With regard to year-end dividends, management proposes to pay dividends as follows, pursuant to the dividend distribution policy of the Company.

(1) Type of dividend property

Money

(2) Allotment of dividend property to shareholders, and the total amount thereof

¥40 per share of common stock of the Company (ordinary dividend ¥20, special dividend ¥20)

Total amount ¥1,639,676,640

(3) Effective date of dividends from surplus

Thursday, June 26, 2008

**Proposal No. 2: Election of Thirteen Directors**

The term of office of all the Directors will expire at the conclusion of this Meeting. The Company would like to add one Director and one Outside Director to strengthen the board. Accordingly, it is proposed that thirteen Directors be elected.

The candidates for Directors are as follows:

Candidate No.	Name (Date of Birth)	Career summary, position and representation of other companies	No. of Company shares held
1	Koki Okuda (January 9, 1937)	<p>June 1966 Established Maruei Keisan Center Kabushiki Kaisha and became President, Representative Director</p> <p>December 1974 President, Representative Director of Kabushiki Kaisha Kansai Maruei Keisan Center</p> <p>June 1975 President, Representative Director of Wakayama Maruei Keisan Center Kabushiki Kaisha</p> <p>November 1978 President, Representative Director of Kabushiki Kaisha Input Research Institute</p> <p>January 1982 President, Representative Director of Gunma Maruei Keisan Center Kabushiki Kaisha</p> <p>April 1982 President, Representative Director of Kabushiki Kaisha Maritec</p> <p>June 1984 Board member of Japan Information Technology Services Industry Association</p> <p>June 1985 President, Representative Director of the Company</p> <p>May 1997 President, Representative Director of J-Stream Inc.</p> <p>June 1998 Chairman, Representative Director &amp; President of the Company</p> <p>December 1999 President, Representative Director of eVentures Inc.</p> <p>September 2002 Chairman, Representative Director of the Company &amp; Group CEO</p> <p>June 2003 Founder, Representative Director &amp; Group CEO (present post)</p>	7,478,800 shares

Candidate No.	Name (Date of Birth)	Career summary, position and representation of other companies	No. 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, 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</p> <p>April 2002      CEO of Business Control Division &amp; in charge of Human Resources</p> <p>September 2002      President, Representative Director &amp; CEO</p> <p>June 2003      Chairman, Representative Director &amp; CEO (present)</p>	25,200 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. (present ITOCHU Techno-Solutions Corporation)</p> <p>July 1986      Joined ITOCHU TECHNO-SCIENCE Corporation (present ITOCHU Techno-Solutions Corporation)</p> <p>October 1992      President, Representative Director of CTC FINANCIAL ENGINEERING Corporation (present ITOCHU Techno-Solutions Corporation)</p> <p>April 2000      President, Representative Director of ITOCHU TECHNO-SCIENCE Corporation (present ITOCHU Techno-Solutions 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 Chairman, Director (present post)</p>	0 shares

Candidate No.	Name (Date of Birth)	Career summary, position and representation of other companies	No. of Company shares held
4	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, Representative Director, Chief of Business Planning &amp; Development, Deputy Chief of Overseas Business Division</p> <p>December 2000   Representative Director of Ask Jeeves Japan Co., Ltd. (present Ask. jp Co., Ltd.)</p> <p>April 2001      Chief of Office of President &amp; Business Promotion Division, Deputy Chief of Overseas Business Division, Deputy Chief of Accounting &amp; Finance Division &amp; Maintenance Services Division of the Company</p> <p>April 2002      Vice President, Representative Director &amp; co-COO and CEO of Business Development Division of the Company</p> <p>June 2002      Representative Director of eVentures Inc. (present post)</p> <p>September 2002   Vice President, Representative Director &amp; COO of the Company</p> <p>January 2003      Representative Director of IBR, Inc. (present post)</p> <p>June 2003      President, Representative Director &amp; COO of the Company (present post)</p>	5,910,368 shares

Candidate No.	Name (Date of Birth)	Career summary, position and representation of other companies	No. of Company shares held
5	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, Representative Director of BPS, Inc. (present post)</p> <p>March 2005      Chairman of transcocosmos Information system (Shanghai) Co., Ltd. (present post)</p> <p>                         President, Representative Director of transcocosmos CRM Okinawa Inc. (present post)</p> <p>                         President, Representative Director of transcocosmos CRM Miyazaki Inc. (present post)</p> <p>                         President, Representative Director of transcocosmos CRM Wakayama Inc. (present post)</p> <p>April 2005      Chief of Marketing Chain Management Services of the Company</p> <p>June 2005      Senior Managing Director</p> <p>August 2005      Chairman of transcocosmos MCM Shanghai Co., Ltd. (present post)</p> <p>February 2006    President, Representative Director of transcocosmos MCM Korea Co., Ltd. (present post)</p> <p>June 2006      Executive Vice President, Director of the Company (present post)</p> <p>March 2007      Representative Director of Organic Trend International Corporation</p> <p>April 2007      In charge of the Digital Marketing Services Sector, Call Center Services Sector, Business Process Outsourcing Services Sector, Business Process Solution Services Division, Engineering Solution Business Division, Overseas Business Division, and China Offshore Developing Services Department of the Company</p> <p>December 2007    Chairman of Shenyang Transcosmos Information system Co., Ltd. (present post)</p> <p>April 2008      Chief of the Digital Marketing Services Sector &amp; in charge of Call Center Services Sector, Business Process Outsourcing Services Sector, Business Process Solution Services Division, Overseas Business Division, and China Offshore Developing Services Department, MCM Analysis Service Department, Service Planning Department and Special Project Office of the Company (present post)</p>	0 shares

Candidate No.	Name (Date of Birth)	Career summary, position and representation of other companies	No. of Company shares held
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, 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</p> <p>October 2002      Development Services Division</p> <p>April 2003      General Manager of Support Desk Services Business</p> <p>April 2004      Senior Managing Director, Chief of Marketing Division</p> <p>June 2005      Executive Vice President, Director (present post)</p> <p>April 2008      In charge of Marketing Division (present post)</p>	4,800 shares

Candidate No.	Name (Date of Birth)	Career summary, position and representation of other companies	No. of Company shares held
7	Masakatsu Moriyama (May 21, 1970)	<p>April 1993 Joined Pricewaterhouse Consultant (present IBM Japan, Ltd.)</p> <p>February 1997 Joined Gemini Consulting Japan Inc. (present Booz Allen Hamilton 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 SBI Investment Co., Ltd.</p> <p>April 2005 Corporate Executive Officer &amp; CIO, in charge of Personnel Planning of the Company</p> <p>June 2005 Senior Managing Director &amp; CIO, in charge of Personnel Planning (present position), President, Representative Director of transcosmos inc. &amp; TEAM LAB Inc. (present TEAM LAB BUSINESS DEVELOPMENT Inc.) (present position)</p> <p>September 2005 Senior Managing Director &amp; CIO, in charge of Personnel Planning, General Manager of BtoC Business Development Division of the Company</p> <p>November 2005 President, Representative Director of Listen Japan, Inc.</p> <p>March 2007 Representative Director of Co-Core Inc. (present post)</p> <p>April 2007 Senior Managing Director &amp; CIO, General Manager of BtoC Business Development Division &amp; the General Manager of the Human Resources Division</p> <p>June 2007 Senior Managing Director, General Manager of BtoC Business Development Division (present post)</p>	2,000 shares

Candidate No.	Name (Date of Birth)	Career summary, position and representation of other companies	No. of Company shares held
8	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. (present Transcosmos Investments &amp; Business Development, Inc.)</p> <p>August 2002    Director of Trans Cosmos USA, Inc.</p> <p>June 2004      Corporate officer, General Manager of Service Development Division of the Company, Director of transcosmos U.S.A. Inc. (present Transcosmos Investments &amp; Business Development, Inc.) (present post)</p> <p>June 2005      Corporate Senior Officer, in charge of group strategy</p> <p>September 2005 Corporate Executive Officer, General Manager of Business Development &amp; Investments</p> <p>June 2006      Senior Managing Director, in charge of Business Development &amp; Investment Division (present post)</p>	1,000 shares
9	Hiroyuki Mukai (July 23, 1952)	<p>April 1977      Joined IBM Japan, Ltd.</p> <p>January 1987    Assistant General Manager of Kansai Sales Division</p> <p>October 1992   Chief of the Sixth Business Office of Logistics Sales Division</p> <p>January 1995   General Manager of Retail System Division of Logistic System Division</p> <p>January 1997   External assignment to the Asian Head Office (Tokyo)</p> <p>January 1998   External assignment to the European Head Office (France)</p> <p>April 2000      Administration Officer and General Manager of Logistics System Division</p> <p>April 2004      Administration Officer and General Manager of PC &amp; Printing Division</p> <p>March 2005      President of Lenovo Japan Co., Ltd.</p> <p>October 2007   Corporate Executive Officer in charge of Sales Planning Division General Manager of Business Development &amp; Investments of the Company</p> <p>April 2008      Corporate Executive Officer, Chief of Sales Division (present post)</p>	0 shares

Candidate No.	Name (Date of Birth)	Career summary, position and representation of other companies	No. 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.</p>	0 shares

Candidate No.	Name (Date of Birth)	Career summary, position and representation of other companies	No. of Company shares held
11	Kichiro Takao (December 23, 1934)	<p>March 1958      Joined Nikko Securities Co., Ltd. (present Nikko Citi Holdings Inc.)</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> <p>June 2007          Retired Adviser of Nikko Cordial Corporation</p> <p>June 2006          Outside Director of the Company (present post)</p>	0 shares
12	Yoko Kamiyama (October 1, 1947)	<p>April 1970          Joined LION-SHA CORPORATION</p> <p>September 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>December 2003     Director &amp; General Manager of Publishing Division, PIA Corporation</p> <p>June 2006           Outside Director of the Company (present post)</p>	0 shares

Candidate No.	Name (Date of Birth)	Career summary, position and representation of other companies	No. of Company shares held
13	Takeshi Natsuno (March 17, 1965)	<p>April 1988 Joined TOKYO GAS Co., Ltd.</p> <p>July 1995 Assistant Manager of Land Planning of Land Development Division of TOKYO GAS Co., Ltd.</p> <p>June 1996 Vice President of Hyper Net Co. Ltd.</p> <p>September 1997 Media Director of Gateway Business Division, NTT DoCoMo Mobile Communication, Inc. (current NTT DoCoMo, Inc.)</p> <p>September 1999 General Manager in charge of Content Planning of Gateway Business Division, NTT DoCoMo Mobile Communication, Inc.</p> <p>June 2000 President of D2 Communications, Inc.</p> <p>October 2000 Director of i-Convenience, Inc.</p> <p>July 2001 General Manager of i-mode Planning Division, NTT DoCoMo, Inc.</p> <p>January 2004 Director of Felica Networks, Inc.</p> <p>March 2004 Director of Crimson Football Club Co., Ltd. (Vissel Kobe)</p> <p>June 2005 Executive Officer and General Manager of Multi Media Service Division, NTT DoCoMo, Inc.</p> <p>July 2005 Director of Sumitomo Mitsui Card Co., Ltd.</p> <p>October 2005 Work Executer of Mobile Suica Promoting Investment Partnership</p> <p>November 2005 Director of Tower Records Japan Inc.</p> <p>December 2005 Director of Rakuten Auction, Inc.</p> <p>April 2006 Work Executer of D.N. Dream Partners Limited Liability Partnership</p> <p>June 2007 Director of DoCoMo.Com, Inc. Director of D2 Communications, Inc.</p> <p>July 2007 Director of The JV, Inc. Director of CXD Next, Inc.</p> <p>September 2007 Board Member of International Economic Advisor of the Mayor of Chonchin (present post)</p> <p>November 2007 Member of Rakuten Baseball Team Management Advisory Committee (present post)</p> <p>March 2008 Special Invited Professor of Faculty of Policy Management &amp; Faculty of Environment and Information Studies in Keio University (present post)</p>	0 shares

- Notes: 1. Director candidate Koichi Iwami concurrently holds the position of Representative Director of Organic Trend International Corporation, with which the Company has business relationship.  
Director candidate Masakatsu Moriyama concurrently holds the positions of Representative Director of TEAM LAB BUSINESS DEVELOPMENT Inc. and Representative Director of Kabushiki Kaisha Co-Core Inc., with which the Company has business relationship.  
The Company has no  
No special interests exist between the Company and other candidates for Directors.
2. Taiki Yoshioka, Kichiro Takao and Yoko Kamiyama are candidates for Outside Directors.
3. Reasons for the election of candidates for Outside Directors and reasons why the Company considers the offices of Outside Directors to be performed appropriately  
Taiki Yoshioka, Kichiro Takao, Yoko Kamiyama and Takeshi Natsuno have ample experience, track

histories of performance, and knowledge, including knowledge and experience in corporate management, and are also in objective positions amenable to the execution of operations independently of our management team. We consider that their presence will be highly conducive to the management of the Company. Therefore, we nominate them for election as Outside Directors.

4. While Mr. Takeshi Natsuno was Director of Felica Networks, Inc., an incident involving the leak of customer data by a temporary employee of that company occurred on November 21, 2006. Mr. Natsuno was not involved in the incident. He fulfilled his responsibilities subsequent to the incident by aggressively effectuating efforts to raise awareness of risk management and instructed others in the compliance to legal statutes and regulations, the formulation of rules and the implementation of measures to prevent reoccurrences. In addition, while Mr. Natsuno served as Director at Sumitomo Mitsui Card Co., Ltd., as a result of an incident involving the unauthorized access from an external party to the server of the Internet service “Vpass” developed by that company occurring on January 30, 2007, a portion of customers’ credit card information was leaked. That company filed a damage report with the police, explained the circumstances to customers and apologized to them and effectuated other countermeasures. Mr. Natsuno was not involved in this incident. He fulfilled his responsibilities subsequent to the incident by aggressively working towards the building of a framework to prevent reoccurrences such as by instructing to inspect the weaknesses of the system, strengthen the monitoring framework as well as effectuate other measures.
5. Agreements on the Limited Liability of Outside Directors  
The Articles of Incorporation of the Company stipulate that the Company may enter into an agreement with an Outside Director to limit the liability of the Outside Director for damages to the maximum amount of liability to be predetermined, the amount of which shall be either an amount not less than ¥1 million or the amount provided for in laws and regulations, whichever is higher. As a result, upon approval of election of Taiki Yoshioka, Kichiro Takao, Yoko Kamiyama and Takeshi Natsuno, the Company will enter into agreements on the limited liability of Outside Directors with each of them.
6. Years for which the candidates for Outside Directors are to take office as Outside Directors:
  - 1) The term of office of Taiki Yoshioka, an Outside Director, shall be three years at the conclusion of this Annual General Meeting of Shareholders.
  - 2) The term of office of Kichiro Takao, an Outside Director, shall be two years at the conclusion of this Annual General Meeting of Shareholders.
  - 3) The term of office of Yoko Kamiyama, an Outside Director, shall be two years at the conclusion of this Annual General Meeting of Shareholders.

**Proposal No. 3: Election of One Statutory Auditor**

Statutory Auditor, Mitsuo Ishii, will retire from office due to resignation at the conclusion of this meeting. Accordingly, election of the following one Statutory Auditor is proposed as the successor.

The candidate for Statutory Auditor is as follows.

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

Candidate No.	Name (Date of Birth)	Career summary, position and representation of other companies	No. of Company shares held
1	Hideaki Ishioka (October 20, 1949)	April 1973 Joined Tokyo Shibaura Electric Co. Ltd. (current Toshiba Corporation) April 1996 Advisor of the Company June 1996 Managing Director and General Manager of Technologies April 2000 Senior Managing Director & in secondary charge of Technologies February 2001 President of AboveNet Japan, Inc. April 2002 Technical Fellow of the Company June 2002 Vice President & Representative Director of Mac Interface Co., Ltd. (present APPLIED TECHNOLOGY CO., LTD.) January 2005 Senior Managing Director & General Manager of Management Planning Division of the Company January 2007 Director (present post) Board Chairperson and representative director of TransCosmos Technologies Inc. December 2007 Board Chairperson and director of TransCosmos Technologies Inc. (present post)	1,000 shares

Note: No special interests exist between the Company and the above candidate for Statutory Auditor.