

The Latest Solutions

Annual Report 2000

Our Global Perspective

About the Company

Established in 1985, Trans Cosmos Inc.'s origins date back to the establishment of a data entry service company in Osaka in 1966. The Company achieved its current form through a series of mergers and acquisition that expanded its scope of business to include data processing, data entry, and software development services and sales of computer-related equipment and software packages. Trans Cosmos also has recently expanded into Internet networking and marketing services. The Company specializes in offering specialized solution packages for the individual information technology needs of its clients that may contain all or any of the above services. In addition to its own technology development, Trans Cosmos ensures that its clients benefit from cutting-edge technology by forming joint ventures and strategic alliances with leading hardware, software, and system vendors. The Company also seeks out technical advances globally, establishing positions in promising new technologies through direct investments and investments through its subsidiaries.

The Company has a network of eight sales offices in Japan, 38 subsidiaries, and 15 affiliates. Consolidated net sales and net income for the fiscal year ended March 2000 were ¥48,882 million and ¥1,391 million. Trans Cosmos's shares are listed on the First Section of the Tokyo Stock Market.

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Financial Highlights

TRANS COSMOS Inc.

CONSOLIDATED INCOME STATEMENT DATA

Years ended March 31	Millions of Yen (except per share data)			Thousands of U.S. Dollars*	Percent Change
	1998	1999	2000	2000 (except per share data)	2000/1999
Net sales	¥34,712	¥38,394	¥48,882	\$460,499	+27.3%
Gross profit	8,605	8,840	13,638	128,479	+54.3%
Operating income	2,415	2,299	4,665	43,947	+102.9%
Net income	832	680	1,391	13,104	+104.6%
Net income per share	¥ 39.1	¥ 31.9	¥ 59.9	\$ 0.56	+87.3%

CONSOLIDATED BALANCE SHEET DATA

March 31	Millions of Yen		Thousands of U.S. Dollars*	Percent Change
	1999	2000	2000	2000/1999
Total current assets	¥24,949	¥58,194	\$548,224	+133.3%
Total current liabilities	12,616	11,459	107,951	-9.2%
Total long-term liabilities	38	1,641	15,459	+331.8%
Total shareholders' equity	37,285	68,164	642,120	+82.8%

NON-CONSOLIDATED INCOME STATEMENT DATA

Years ended March 31	Millions of Yen (except per share data)			Thousands of U.S. Dollars*	Percent Change
	1998	1999	2000	2000 (except per share data)	2000/1999
Net sales	¥31,492	¥34,543	¥39,386	\$371,041	+14.0%
Gross profit	7,756	7,866	8,794	82,845	+11.8%
Operating income	3,130	2,862	35.66	33,594	+24.6%
Net income	1,519	1,747	2,319	21,846	+32.7%
Net income per share	¥ 71.1	¥ 81.9	¥ 99.9	\$ 0.94	+22.0%
Cash dividends per share, historical	¥ 20.0	¥ 20.0	¥ 20.0	\$ 0.19	0.0%
Weighted average number of shares (thousand)	21,344	21,344	23,210	23,210	+8.7%

NON-CONSOLIDATED BALANCE SHEET DATA

March 31	Millions of Yen		Thousands of U.S. Dollars*	Percent Change
	1999	2000	2000	2000/1999
Total current assets	¥16,496	¥32,542	\$306,566	+97.3%
Total current liabilities	11,149	5,861	55,214	-47.4%
Total long-term liabilities	76	292	2,751	+284.2%
Total shareholders' equity	39,831	72,876	686,538	+83.0%

* U.S. dollar amounts are translated from yen, solely for convenience, at the rate of ¥106.15=U.S.\$1.

Message from the Pres



KOKI OKUDA

Chairman, President & CEO

PERFORMANCE

During the fiscal year under review, Japan's economy remained weak overall. Although the government's comprehensive economic simulation package produced some signs of economic recovery, personal consumption continued to be stagnant against the backdrop of a rising unemployment rate.

Despite this difficult business climate, investment in information technology was relatively strong. The progress of globalization, as symbolized by the Big Bang in financial services; the ongoing introduction of network infrastructure by companies trying to survive amid intensifying competition; and the Year 2000 computer problem contributed to firm demand. On the other hand, business volume was down because of the prolonged stagnation in the economy, and the trend to cutting back on outsourcing grew stronger.

Based on our medium-term business management plan, we proceeded with the development of new and more efficient outsourcing services for advanced networks, such as call management, help desk, education, network management, and e-commerce settlement systems as well as high-value-added services, such as 3-dimensional CAD.

In particular, we focused on expanding sales of our Trans Cosmos Web Commerce Package, which has been positioned as one of our most important solution businesses within our medium-term business management plan. This state-of-the-art e-commerce business tool for companies supports all aspects of e-commerce, including defining the web environment, constructing a customer data base, web catalog feedback, marketing support, web hosting, electronic settlement, order management, and customer support. We have already completed delivery of the package to 10 companies and are negotiating contracts with approximately twice that number.

Among Internet technologies, we have introduced four killer tools for e-commerce. Double Click is the world standard for Banner advertising e-mail. Net Perceptions is a recommendation engine to help individuals search for products or services by preferences. Maillion is an e-mail program developed by Trans Cosmos that allows users to personalize mail and can handle up to 8 million messages per hour. Net Ratings is an Internet access monitoring system.

We are also concentrating our efforts on e-marketing, which features interactive and one-to-one communications with specific individuals. We provide these two capabilities by combining our strength in advanced Internet technology (High Tech) and in customer services (High Touch) in the fields of consultation and system

development and operation. In April 2000, to strengthen our capability to offer e-marketing services based on High Tech & High Touch, we established a Consultation Division, which will offer comprehensive consulting services covering upstream processes for IT systems to operations. In addition to the previously mentioned four killer tools, other important software supporting our High Tech & High Touch services include Nuance Communications Inc.'s voice recognition system and TEASY, an Internet educational application developed by Trans Cosmos.

As a result of these efforts, consolidated net sales rose ¥10,488 million or 27.3%, to ¥48,882 million.

MAJOR ISSUES FOR THE COMPANY

In recognition of current trends, we are focusing our strategies on the Internet and intranets, areas for which demand is expected to expand substantially. We are actively developing network infrastructure, security environments, integration methods for new and old systems, and application software, mainly for www servers. At the same time, in the system operations field, we are aiming to fulfil our mission and responsibility as a provider of true outsourcing services as represented by our basic corporate philosophy of "Customers recover their investment in IT through the utilization of real information provided by the efficient operation of their systems." Our efforts are mainly based on our High Tech & High Touch services, an organic fusion of our know-how, investments, business tie-ups, and the latest technologies, implemented by working together with our customers.

To be able to provide these services, it is necessary to utilize the latest technologies emerging in the United States, the world leader in the information technology field, as well as forming business tie-ups with top companies in this field worldwide. Consequently, the main goal of our venture capital business is to collect intelligence on the latest innovations in information technology in the United States and to expand our strategic business tie-ups. For Trans Cosmos, these investments are the equivalent to the research and capital investments of a manufacturing company. Because the information technology revolution is spreading rapidly to Asia, we also are looking to increase our investments in that region.

Some of our affiliated companies in the Internet field or related manufacturing areas have reached the stage where they need to go public. We plan to provide support for them in the listing process.

Based on the above strategies and measures, our medium-term management goals on a consolidated basis are to achieve overall growth in net sales, an ordinary income return on net sales of 10% or over, and net income per share of ¥100 or more. We are also targeting improvement in our return on equity.

In the current fiscal year, we will continue to position ourselves advantageously in the rapidly expanding information technology market. In doing so, we look forward to the continued support of our shareholders.



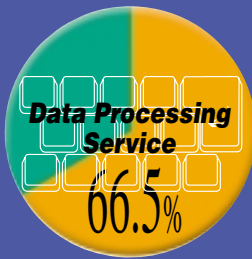
Koki Okuda
Chairman, President & CEO

TRANS COSMOS at a Glance

Sales Category

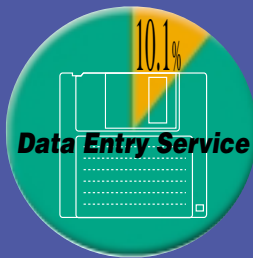
(Percentage of Net Sales on the Non-Consolidated Basis)

Outline of Operations



This sales category includes the Company's revenues from help desk and training services, business operations services, engineering solutions, web order management services, as well as most of the Company's revenues from customer relationship management (call management) and part of the Company's revenues from network and system solutions.

The Company's data processing services are usually provided at the client's own site, with the principal goal being to satisfy the client's needs as completely as if the services were rendered by the clients themselves. A second major goal is to provide the clients with data processing services covering the whole range of office support services in relation to control and use of information. As a result of the breadth and depth of the data processing services offered by the Company, the Company is usually in a position to learn about its clients' businesses in great detail and, based on this knowledge, to give timely and relevant advice regarding computer processing, thus forming the basis for long-term customer relationships.



This sales category includes revenues from the Company's database systems services.

The data entry service category includes the input by the Company of raw data of the client into media selected by the client. Through this service, data is transformed into information suitable for computer processing. Before data is entered, the Company first analyzes the business needs of each of its clients and specifically tailors a data entry system that responds to those needs.

The Company has a set rate for each type of data entry service which is determined by volume and nature of the input. Generally, for this type of services, the Company does not use lump-sum contracts but instead charges clients for each service utilized. In the event data entry requirements exceed system capabilities during peak periods, the Company's back-up computer is used to cope with this overflow.

The Company is one of the leading data entry companies in Japan.



This sales category includes the Company's revenues from the E-Solutions division, as well as a portion of the Company's revenues from customer relationship management (call management) services and network and system solutions services.

This category includes software development for host computers, office computer systems, CAD systems and computer networks, including the Internet. The Company develops application software responding to particular client needs. The Company is engaged, in particular, in the development and structuring of client/server type computer systems tailored for specific business needs, based on the expertise it has acquired in the course of its computer operations. Development of most software takes place at the client's premises. The Company is not dependent on any particular computer manufacturer and develops software for any type of computer.

In providing software development services, the Company calls upon its own extensive experience in the industry to perform an in-depth analysis of the particular client's information system. The Company's services under this category are related to and benefit from the Company's services under other categories.

The Company's software development services are supported by its accumulated technology acquired in the course of providing data processing services and data entry services generally, as well as client-specific knowledge obtained in the course of providing such services to the client. As a result, the Company is able not only to respond to client requests for software development advice but also to propose software solutions on its own initiative for Company clients who might otherwise be unaware of possible system improvements.



This sales category includes revenues from the Company's sales of computer-related equipment and package software.

The Company sells software packages developed principally by others and, to a limited extent, office computers and personal computers manufactured by others. Products that are localized (such as Support Magic) or developed (such as TEASY) by the Company and are sold are also included in this sales category.

The Company uses its in-depth knowledge of its client's business and its extensive experience in computer systems to give advice to the client regarding the purchase of a computer or a software package suitable for the client's own business needs. The Company does not keep equipment inventories without a corresponding client order. All of the major operating divisions contribute to this sales category.

Management's Discussion and Analysis of Financial Condition and Results of Operations

The following discussion should read in conjunction with the Company's Consolidated Financial Statements and related Notes thereto and the Company's Non-Consolidated Financial Statements and related Notes thereto. These financial statements were prepared in accordance with accounting principles and practices generally accepted in Japan, which differ in some respects from International Accounting Standards. See Note 1 of Notes to the Consolidated and Non-Consolidated Statements for greater detail. The Company and its consolidated subsidiaries have adopted new Japanese accounting standards for the preparation of consolidated financial statements, research and development costs and income taxes. See Note 2 of Notes to the Consolidated Financial Statements for an explanation of these changes.

Except as otherwise indicated, the discussion below is based on the Consolidated Financial Statements and the "Company" stands

for the Company and its consolidated subsidiaries. The Non-consolidated Financial Statements are included in this annual report as supplemental information only.

Overview

The Company has grown rapidly over the past several years, reflecting the increasing need of Japanese companies for data processing and data entry services and the increasing reliance of Japanese companies on the use of networks and other personal computer-based systems. The Company has also shown stable profitability during this period.

The following table sets forth the Company's net sales by industry segment, and the percentage of total net sales represented by each industry segment, for the periods indicated.

	For the year ended March 31,				
	1999		2000		2000
	(Millions of Yen) (%)				(Thousands of U.S. Dollars)*
Computer service	¥37,306	97.2%	¥44,991	92.0%	\$423,843
Venture capital	1,088	2.8%	3,891	8.0%	36,656
Total	¥38,394	100.0%	¥48,882	100.0%	\$460,499

* U.S. dollar amounts are translated from yen, solely for convenience, at the rate of ¥106.15=U.S.\$1.

The Company's operating expenses consist of cost of sales and selling, general and administrative expenses. Cost of sales reflects principally cost of labor.

The most significant components of selling, general and administrative expenses are those relating to personnel, including employees' salary and payroll, directors' remuneration, recruiting and employee training and education. Personnel expenses have grown in recent years with the expansion of the Company's business. Employees' salary and payroll expenses included in selling, general and administrative expenses included compensation of employees engaged in research and development.

Non-operating income (expenses) reflect principally financial items, including interest income, foreign exchange gain, dividend income and gains and losses on sale/disposal of marketable securities. The Company's income and expenses from financial items reflect sizable investments in marketable securities and other securities, long-term deposits and other investments. Dividend income consists principally of equity dividends. Interest income consists principally

of interest on long-term time deposits.

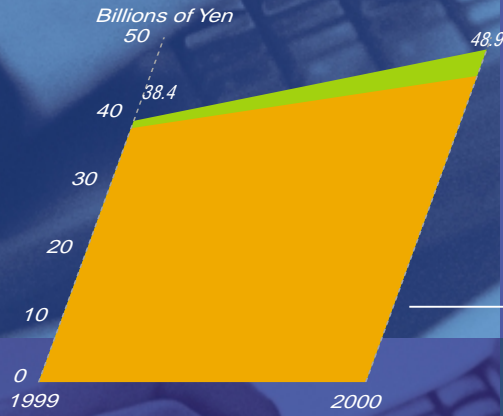
Consolidated Results of Operations

Fiscal 2000 Compared to Fiscal 1999

Net Sales. Net sales advanced by 27.3% to ¥48,882 million (\$460.5 million) in fiscal 2000 from ¥38,394 million in fiscal 1999. While prices changed little, the volume of services and goods sold increased, and demand shifted to higher value added services. The increase in net sales was principally attributed to an increase of 20.6%, or ¥44,991 million (\$423.8 million), in sales of Computer Service from fiscal 1999 to fiscal 2000 and revenues from the venture capital segment rose 257.6% from the previous fiscal year, to ¥3,891 million (\$36.7 million). The Company's sales growth in these categories reflects principally addition of new clients in customer management services, increases in user call volumes for existing clients in customer management services, and increased revenues from higher value-added services, principally in the customer relationship management, and increase revenues from

Performance Charts

on the Consolidated Basis

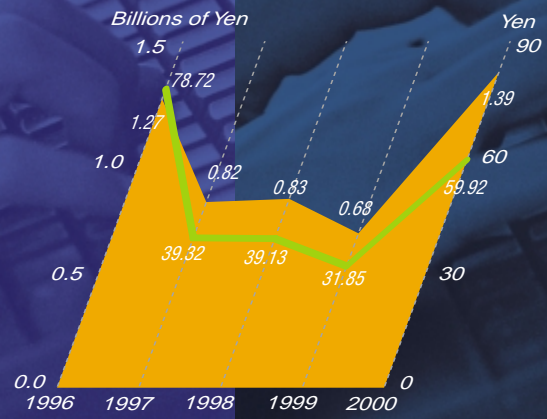
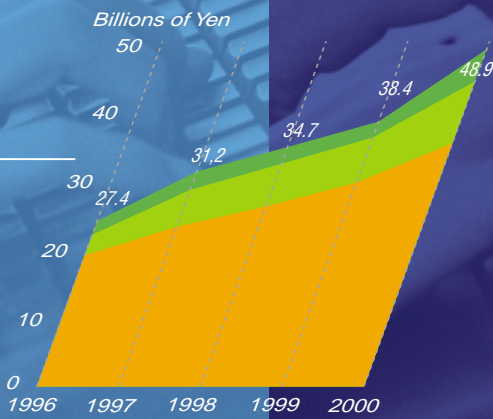


Net Sales by Industry Segments

- Venture Capital
- Computer Service

Operating Expenses, Operating Income

- Operating income
- Selling, general and administrative expenses
- Cost of sales



Net Income, Net Income per Share

- Net income (Left scale)
- Net income per share (Right scale)

ROE, ROA

- Ratio of net income to average shareholders' equity
- Ratio of net income to average total assets



higher value-added services, principally in the customer relationship management division and network and the system solutions division and the partial sale of the stock of venture capital companies the Company has invested in. The increase in net sales from fiscal 1999 to fiscal 2000 also included increases in software development and data entry services and product sales. Such increases are due principally to increased investment in computer systems by Japanese companies, which have continued to increase their reliance on computers and networks.

Gross Profit. Gross profit increased by 51.2% to ¥13,638 million (\$128.5 million) in fiscal 2000 from ¥8,840 million in fiscal 1999 as the Company's cost of sales increased at 19.3%, a slower rate than the net sales growth rate of 27.3%. Cost of sales increased to ¥35,244 million (\$332.0 million) in fiscal 2000 from ¥29,554 million in fiscal 1999. This increase reflects principally an increase in the number of employees, as well as computer and equipment required for business expansion. The number of full-time employees of the Company and its consolidated subsidiaries at March 31, 2000 was 5,796 while the number of such employees at March 31, 1999 was approximately 4,700. The Company's margins are highest in its data processing and software development businesses; in recent periods the relative profit margins among the Company's businesses have generally been consistent.

Operating Income. Operating income increased by 102.9% to ¥4,665 million (\$43.9 million) in fiscal 2000 from ¥2,299 million in fiscal 1999 while selling, general and administration expenses increased by 37.2% to ¥8,973 million (\$84.5 million) in fiscal 2000 from ¥6,541 million in fiscal 1999.

Non-Operating Income (Expenses). In fiscal 2000, non-operating income (expenses) booked a net expense of ¥1,251 million (\$11.8 million) compared with a net income of ¥7 million in fiscal 1999. Major components of this amount were a more than doubling of interest expenses to ¥67 million (\$631 thousand) because of a significant increase in long-term loans, new share issue expenses of ¥252 million (\$2.3 million), and a large increase in loss on sale/disposal of property to ¥126 million (\$1.2 million). In addition, the Company recorded a loss on liquidation of business segment of ¥391 million (\$3.7 million) in connection with the bankruptcy of Ryowa Medical General Research Institute Inc., consisting of a ¥64 million write-down of long-term loans and others and a ¥374 million write-down of investments in securities. A similar amount

was charged in fiscal 1999. Other significant non-operating expenses were a minus ¥275 million (\$2.6 million) in equity in earnings of unconsolidated subsidiaries and affiliates related to the Company's portion of losses incurred by unconsolidated subsidiaries and affiliates. The Company recorded foreign exchange losses of ¥521 million (\$4.9 million) in fiscal 2000 compared with a substantial foreign exchange gain in fiscal 1999 because of large foreign exchange loss that occurred on repayment of yen denominated loans in the United States due to the rapid appreciation of the yen. There was no write-down of marketable securities and investment in securities for fiscal 2000 because of the improved performance of the stock market.

Income Tax. Net of deferred taxes, income taxes increased by 20.7% to ¥2,078 million (\$19.6 million) in fiscal 2000 from ¥1,722 million in fiscal 1999. The Company's effective tax rate in fiscal 2000 decreased to 60.9% from 74.7% in fiscal 1999.

Net Income. Net income increased by 104.6% to ¥1,391 million (\$13.1 million) in fiscal 2000 from ¥680 million in fiscal 1999, increasing as a percentage of net sales to 2.8% from 1.8% in fiscal 1999.

Liquidity and Capital Resources

General

The Company's overall capital strategy targets continued growth in its businesses and investments while maintaining adequate liquidity and working capital and limited leverage.

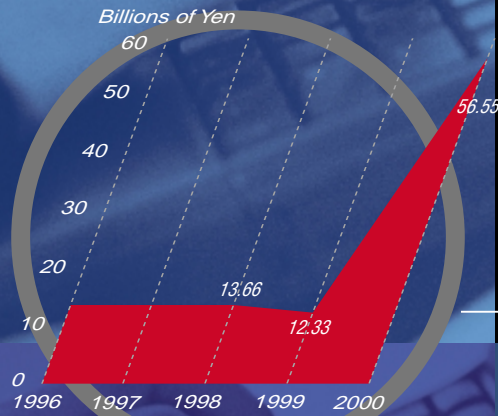
Capital Requirements

Historically, the Company's capital requirements consisted principally of the need for working capital and the need for acquisition and maintenance of computers in connection with its growing computer services operations in Japan. Such computer service operations require significant amounts of working capital because the Company's personnel expenses, which increase due to the hiring of additional people, and outsourcing expenses grow as the Company expands and because the Company must finance jobs and software in progress, merchandise and other current items.

In addition, commencing with the formation of Encompass Group Inc. in 1995, the Company has been implementing strategy of investment in U.S. startup and development-stage companies in Internet-related business to enhance access to developing technologies, and investment in joint ventures in Japan to exploit

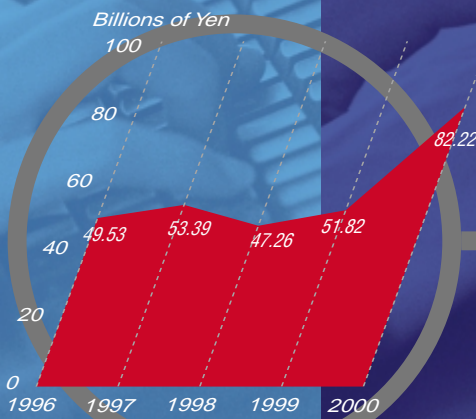
Performance Charts

on the Consolidated Basis

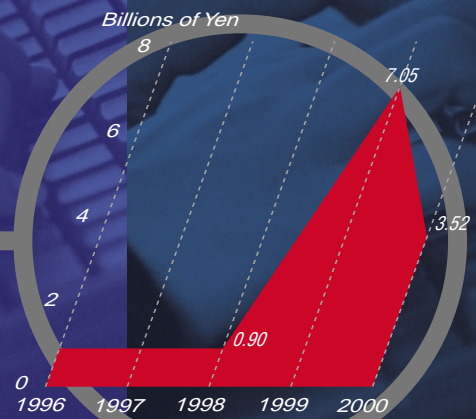


Working Capital

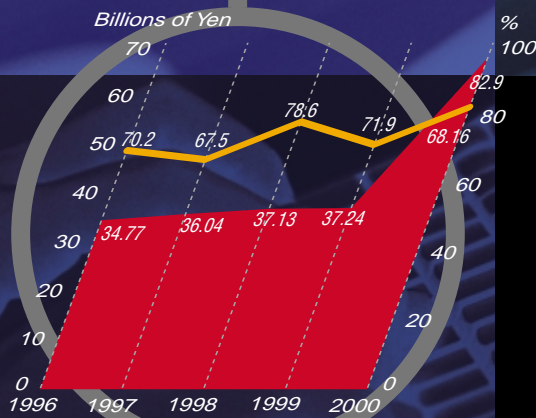
Total Assets



Interest-bearing Debt



Shareholders' Equity



Shareholders' equity (Left scale)

Shareholders' equity ratio (Right scale)

Shareholders' equity (Left scale)

Shareholders' equity ratio (Right scale)

such technologies. The Company requires significant capital to implement these strategies.

The Company requires significant amounts of capital for capital expenditures, principally for computer service operations in Japan. These funds are applied principally to the acquisition and maintenance of computers, other equipment and call centers in connection with the expansion of domestic computer service operations.

The Company also requires significant amounts of capital for investments. On a consolidated basis, the Company's investments as of March 31, 2000 consisted principally of the following:

- Marketable securities of ¥10,519 million (\$99.1 million), which are principally money management funds (MMFs) and equity;
- Investment in securities (long-term portfolio) of ¥4,640 million (\$43.7 million, principally investments in Japanese equity securities;
- Investments in unconsolidated subsidiaries and affiliates of ¥1,512 million (\$14.2 million);
- Long-term time deposits of ¥2,000 million (\$18.8 million); and
- Other investments of ¥6,492 million (\$61.2 million), including an investment of ¥4,348 million (\$41 million) for the entire limited partnership interest in US Information Technology Financing LP.

The Company has made venture capital investments principally through EnCompass Group Inc. and TCI-USA. The Company currently intends to continue to make venture capital and other strategic investments consistent with its investments in recent periods (although changes in market or business conditions could cause the Company to modify that strategy). Furthermore, the Company expects that in connection with its strategy of expanding its business in Internet networking and marketing services, it may expand the scale of its venture capital and joint venture activities.

Capital Resources and Liquidity

The Company derives its cash flow from operating activities and obtains its financing principally through Trans Cosmos Inc.

The Company had working capital (current assets minus current liabilities) surpluses of ¥12,333 million as of March 31, 1999 and ¥46,735 million (\$440.3 million) as of March 31, 2000. As of March 31, 2000, the Company had cash, time deposits (not including long-term time deposits) and commercial paper and marketable securities of ¥30,552 million (\$287.8 million) compared to ¥11,271 million as of March 31, 1999. The increase in current assets was principally due to proceeds from a share issue and the shift of long-term deposits to short-term deposits. As of March 31, 2000 the Company had ¥2,010 million (\$18.9 million) in short-term bank loans compared to ¥7,044 million as of March 31, 1999. Short-term bank loans decreased as a result of repayments made with funds raised in an equity financing.

The Company derives a significant portion of its capital from net cash provided (used) by operations. See Consolidated Statements of Cash Flows. Because the consolidated statements of cash flows have been prepared according to new accounting methods in fiscal 2000, comparative data for previous years is not available. The increase in net income before income taxes in fiscal 2000 did not produce an increase in net cash provided by operating activities, principally as a result of an increase in notes and accounts receivable.

Despite the "credit crunch" that many companies in Japan have faced in recent years, the Company has not encountered any significant difficulty financing its operations or maintaining adequate liquidity. The Company maintains large cash balances and uncommitted working capital credit lines with a number of Japanese banks. In addition, the Company has maintained limited leverage and substantial balances of other liquid assets.

Proceeds from long-term loans totaled ¥1,170 million (¥11.0 million) in fiscal 2000. Proceeds from a new stock issue by Trans Cosmos Inc. amounted to ¥30,954 million (\$291.6 million). These proceeds are being applied principally to investments in and loans to subsidiaries and affiliates of the parent company, repayment of short-term borrowings, working capital and capital expenditures.

Cash and cash equivalents at end of year were ¥19,645 million (\$185.1 million), up ¥10,808 million from the beginning of the year and providing adequate liquidity for operations.

Consolidated Balance Sheets

TRANS COSMOS Inc. and Consolidated Subsidiaries

At March 31, 1999 and 2000

ASSETS

Current Assets:

	March 31,		
	1999	2000	2000
	(Millions of Yen)		(Thousands of U.S. Dollars) (Note 4)
Cash, Time deposits and commercial paper	¥6,992	¥20,033	\$188,723
Marketable securities (Note 5)	4,279	10,519	99,096
Investments in securities for operating purposes	4,321	15,313	144,258
Notes and accounts receivable:			
Customers	5,245	7,480	70,466
Unconsolidated subsidiaries and affiliates	—	96	905
	5,245	7,576	71,371
Less: allowance for bad debts	(29)	(31)	(292)
	5,216	7,545	71,079
Jobs and software in progress and merchandise (Note 6)	1,330	1,453	13,688
Deferred tax assets (Note 15)	—	594	5,596
Other current assets	2,811	2,737	25,784
Total current assets	24,949	58,194	548,224

Investments and Advances:

Investments in securities (Note 5)	1,309	4,640	43,712
Investments in and advances to unconsolidated subsidiaries and affiliates	655	1,512	14,244
Long-term time deposits	11,000	2,000	18,841
Other investments	5,873	6,205	58,455
Total investments and advances	18,837	14,357	135,252

Property and Equipment, at cost, less Accumulated Depreciation (Note 7)	4,571	5,317	50,090
Fixed Leasehold Deposits (Note 8)	1,732	2,074	19,538
Deferred Charges, Intangibles and other	1,731	1,198	11,286
Foreign Currency Translation Adjustments	—	1,082	10,193
	¥51,820	¥82,222	\$774,583

The accompanying notes are an integral part of the statements.

LIABILITIES AND SHAREHOLDERS' EQUITY

	March 31,		
	1999	2000	2000
	(Millions of Yen)		(Thousands of U.S. Dollars) (Note 4)
Current Liabilities:			
Short-term bank loans (Note9).....	¥ 7,044	¥ 2,010	\$ 18,936
Accounts payable:			
Suppliers	1,663	3,432	32,332
Unconsolidated subsidiaries and affiliates	—	98	923
	<u>1,663</u>	<u>3,530</u>	<u>33,255</u>
Income taxes payable	1,118	2,119	19,962
Accrued expenses	—		
Accrued bonuses to employees	856	1,068	10,061
Advances received	822	975	9,185
Other current liabilities	1,113	1,757	16,552
Total current liabilities	<u>12,616</u>	<u>11,459</u>	<u>107,951</u>
Long-term Liabilities:			
Long-term bank loans	9	1,509	14,216
Deferred tax liabilities (Note15)	—	128	1,206
Security deposits received	16	4	37
Excess Costs of Investments over Equity in Net Assets	13	—	—
Total long-term liabilities	<u>38</u>	<u>1,641</u>	<u>15,459</u>
Foreign Currency Translation Adjustment	961	—	—
Minority Interests in Subsidiaries	920	961	9,053
Contingent Liabilities (Note11)			
Shareholders' Equity:			
Common stock, par value ¥50 per Share:			
Authorized 32,800,000 shares at March 31, 1999 and 2000			
Issued 21,344,613 shares and 24,344,613 shares at March 31, 1999 and 2000, respectively	13,421	29,024	273,424
Additional paid-in capital	14,244	29,847	281,178
Retained earnings	9,620	9,293	87,546
	<u>37,285</u>	<u>68,164</u>	<u>642,148</u>
Treasury stock	—	(3)	(28)
Total shareholders' equity	<u>37,285</u>	<u>68,164</u>	<u>642,120</u>
	<u>¥51,820</u>	<u>¥82,222</u>	<u>\$774,583</u>

Consolidated Statements of Income

TRANS COSMOS Inc. and Consolidated Subsidiaries

For the years ended March 31, 1998, 1999 and 2000

	For the year ended March 31,			
	1998	1999	2000	2000
	(Millions of Yen)			(Thousands of U.S. Dollars) (Note 4)
Net Sales (Note16)	¥34,712	¥38,394	¥48,882	\$460,499
Cost of Sales	26,107	29,554	35,244	332,020
Gross profit	8,605	8,840	13,638	128,479
Selling, General and Administrative Expenses	6,190	6,541	8,973	84,531
Operating income	2,415	2,299	4,665	43,947
Non-Operating Income (Expenses):				
Interest income	837	565	498	4,691
Interest expenses	(73)	(29)	(67)	(631)
Note issue expenses	(9)	—	—	—
New share issue expenses	—	—	(252)	(2,374)
Guarantee fee for bond with warrants	(17)	—	—	—
Dividend income	28	25	40	377
Amortization of Excess of Costs of Investments over Equity in Net Assets	—	6	—	—
Loss on disposal of inventories	—	(110)	(69)	(650)
Gain on sale/disposal of marketable securities	121	3	17	160
Loss on sale/disposal of investments in securities	(7)	(21)	—	—
Loss on sale/disposal of property	(100)	(56)	(126)	(1,187)
Loss on liquidation of business segment (Note14)	—	(368)	(391)	(3,683)
Gains/(losses) on disposal of investments in affiliates	(29)	—	52	490
Insurance payment received	61	—	—	—
Equity in earnings of unconsolidated subsidiaries and affiliates	—	(228)	(275)	(2,591)
Foreign exchange gains (losses)	62	401	(521)	(4,908)
Loss on disposal investments in partnership	—	—	(73)	(688)
Loss on closure of offices	—	—	(90)	(848)
Write-down of marketable securities and investments in securities	(183)	(69)	—	—
Amortization of long-term prepaid expense	—	(137)	(43)	(405)
Other, net	(67)	25	49	462
	624	7	(1,251)	(11,785)
Income before income taxes	3,039	2,306	3,414	32,162
Income Taxes (Note15)				
Current	2,055	1,722	2,395	22,562
Deferred	—	—	(317)	(2,986)
	984	584	1,336	12,586
Minority Interests in Net Income of Subsidiaries	14	96	55	518
Amortisation of Excess Costs of Investments over Equity in Net Assets	3	—	—	—
Equity in Earnings of Unconsolidated Subsidiaries and Affiliates	(169)	—	—	—
Net income	¥ 832	¥ 680	¥ 1,391	\$ 13,104
		Yen		U.S. Dollars
Per Share:				
Net income	¥ 39.1	¥ 31.9	¥ 59.9	\$ 0.56
Cash dividends	¥ 20.0	¥ 20.0	¥ 20.0	\$ 0.19
Weighted average number of shares (in thousands)	21,344	21,344	23,210	23,210

The accompanying notes are an integral part of the statements.

Consolidated Statements of Shareholders' Equity

TRANS COSMOS Inc. and Consolidated Subsidiaries

For the years ended March 31, 1998, 1999 and 2000

	Number of shares of common stock	Millions of Yen			
		Common stock	Additional paid-in capital	Legal reserve	Retained earnings
Balance at March 31, 1997	21,079,454	¥12,946	¥13,769	¥153	¥9,169
Cash dividends	—	—	—	—	(398)
Transfer to legal reserve	—	—	—	45	(45)
Directors' bonuses	—	—	—	—	(53)
Exercise of warrants	265,159	475	475	—	(240)
Net income for the year ended March 31, 1998	—	—	—	—	832
Balance at March 31, 1998	21,344,613	13,421	14,244	198	9,265
Cash dividends	—	—	—	—	(470)
Transfer to legal reserve	—	—	—	(198)	198
Directors' bonuses	—	—	—	—	(53)
Net income for the year ended March 31, 1999	—	—	—	—	680
Balance at March 31, 1999	21,344,613	13,421	14,244	—	9,620
Cash dividends	—	—	—	—	(457)
Directors' bonuses	—	—	—	—	(53)
Prior years' tax effect	—	—	—	—	171
Decrease due to additional consolidation of subsidiaries	—	—	—	—	(1,382)
Increase due to additional unconsolidated subsidiaries and affiliates	—	—	—	—	55
Decrease due to decrease in unconsolidated subsidiaries and affiliates	—	—	—	—	(52)
New share issue on August 17, 1999	3,000,000	15,603	15,603	—	—
Net income for the year ended March 31, 2000	—	—	—	—	1,391
Balance at March 31, 2000	24,344,613	¥29,024	¥29,847	¥—	¥9,293
		Thousands of U.S. Dollars (Note 4)			
Balance as at March 31, 1999		\$126,434	\$134,188	\$—	\$90,626
Cash dividends		—	—	—	(4,305)
Directors' bonuses		—	—	—	(499)
Prior years' tax effect		—	—	—	1,611
Decrease due to additional consolidation of subsidiaries		—	—	—	(13,019)
Increase due to additional unconsolidated subsidiaries and affiliates		—	—	—	518
Decrease due to decrease in unconsolidated subsidiaries and affiliates		—	—	—	(490)
New share issue on August 17, 1999		146,990	146,990	—	—
Net income for the year ended March 31, 2000		—	—	—	13,104
Balance at March 31, 2000		\$273,424	\$281,178	\$—	\$87,546

The accompanying notes are an integral part of the statements.

Consolidated Statements of Cash Flows

TRANS COSMOS Inc. and Consolidated Subsidiaries

For the years ended March 31, 2000

	Millions of Yen	Thousands of U.S. Dollars (Note 4)
	2000	2000
Cash Flows from Operating Activities:		
Net income before income tax	¥3,413	\$32,153
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation	471	4,437
Amortization of excess costs of investments over equity in net assets	51	480
Amortization of intangible assets	162	1,526
Accrued interest and dividend income	(537)	(5,059)
Accrued interest expenses	67	631
Foreign Exchange loss	521	4,908
New share issue expenses	252	2,374
Loss on liquidation of business segment	391	3,683
Equity in earnings of unconsolidated subsidiaries and affiliates	275	2,591
Gain on sale of investment in unconsolidated subsidiaries and affiliates	(52)	(490)
Gain on sale of marketable securities	(17)	(160)
Increase in accrued bonuses to employees	154	1,451
Reversal of allowance for bad debt	(3)	(28)
Increase in notes and accounts receivable	(1,588)	(14,960)
Increase in investment in securities for operating purposes	(11,489)	(108,234)
Decrease in jobs and software in progress and merchandise	124	1,168
Increase in accounts payable	282	2,657
Loss on disposal of property	126	1,187
Other, net	1,034	9,741
Sub total	<u>(6,365)</u>	<u>(59,962)</u>
Interest and dividend income received	489	4,607
Interest expenses paid	(65)	(612)
Income tax paid	(1,365)	(12,859)
Net cash used for operating activities	<u>(7,306)</u>	<u>(68,827)</u>
Cash Flows from Investing Activities:		
Payments for purchase of marketable securities	(2,686)	(25,303)
Proceeds from sale of marketable securities	3,620	34,102
Payments for purchase of property and equipment	(1,220)	(11,492)
Payments for purchase of investments in securities	(3,969)	(37,390)
Proceeds from sale of investments in securities	657	6,189
Payments for purchase of intangibles	(406)	(3,825)
Payments for purchase of other investments	(2,227)	(20,980)
Proceeds from sale of other investments	838	7,894
Net cash used for investing activities	<u>(5,393)</u>	<u>(50,805)</u>
Cash Flows from Financing Activities:		
Proceeds from short-term bank loans	1,806	17,014
Repayment of short-term bank loans	(7,267)	(68,460)
Proceeds from long-term bank loans	1,170	11,022
Repayment of long-term bank loans	(334)	(3,146)
Proceeds from new stock issue	30,954	291,606
Payments for purchase of treasury stock	(3)	(28)
Proceeds from stock issue to minority interests	74	697
Cash dividends paid	(457)	(4,306)
Directors' bonus paid	(53)	(499)
Net cash provided by financing activities	<u>25,890</u>	<u>243,900</u>
Effect of exchange rate changes on cash and cash equivalents	(2,293)	(21,602)
Net Increase in Cash and Cash Equivalent	10,898	102,666
Increase due to increase in consolidated subsidiaries	612	5,765
Decrease due to decrease in consolidated subsidiaries	(8)	(75)
Cash and cash equivalents at the beginning of year	8,143	76,712
Cash and cash equivalents at end of year	¥19,645	\$185,068

The accompanying notes are an integral part of the statements.

Consolidated Statements of Cash Flows

TRANS COSMOS Inc. and Consolidated Subsidiaries

For the years ended March 31, 2000

Relation between cash and cash equivalent at year-end and the account booked in the balance sheet.

	Millions of Yen	Thousands of U.S. Dollars (Note 4)
	March 31, 2000	March 31, 2000
Cash and time deposits	¥20,033	\$188,723
Marketable securities	10,519	99,096
	30,552	287,819
Time deposits with maturity periods exceeding three months	(9,000)	(84,786)
Equity securities and	(1,907)	(17,965)
Cash and cash equivalents	¥19,645	\$185,068

Notes to the Consolidated Financial Statements

TRANS COSMOS Inc. and Consolidated Subsidiaries

1. Basis of Presenting Consolidated Financial Statements

The accompanying consolidated financial statements have been presented from the accounts maintained by Trans Cosmos Inc. (the "Company") and its consolidated subsidiaries. The Company and its domestic consolidated subsidiaries have maintained their accounts in accordance with the Code and in conformity with accounting principles and practices generally accepted in Japan, which are different in certain respects as to application and disclosure requirements from those of International Accounting Standards.

The accounts of 7 overseas consolidated subsidiaries, Trans Cosmos USA Inc., EnCompass Group Inc., EnCompass Technolution Inc., EnCompass Globalization Inc., EGI Fund Management Company L.L.C., EGI Fund Management Company 2 L.L.C. (incorporated in the U.S.A.), Trans Cosmos Information Creative (China) Co., Ltd. (incorporated in China), are based on their accounting records maintained in conformity with accounting principles and practices generally accepted in their respective countries. Although certain differences exist in the accounting

principles employed by the overseas subsidiaries, essentially, no adjustments have been made to their accounts in order to conform to Japanese accounting principles in the accompanying consolidated financial statements.

Certain items presented in the consolidated financial statements submitted to the Director of Kanto Finance Bureau in Japan have been reclassified in these accounts for the convenience of readers outside Japan.

The consolidated financial statements are not intended to present the consolidated financial position, results of operations and cash flows of the Company and its consolidated subsidiaries (the "Group") in accordance with accounting principles and practices generally accepted in countries and jurisdictions other than Japan.

Consolidated statement of cash flows has been required to be prepared with effect for the year ended March 31, 2000, in accordance with a new accounting standard.

2. Summary of Significant Accounting Policies

(1) Scope of Consolidation

The Company had 38 subsidiaries (majority-owned companies) as at March 31, 2000 (26 as at March 31, 1999 and 22 as at March 31, 1998). The consolidated financial statements include the accounts of the Company and 28 of its subsidiaries for the year ended March 31, 2000 (12 for the year ended March 31, 1999 and 12 for the year ended March 31, 1998).

The remaining 10 (14 for 1999 and 10 for 1998) subsidiaries, whose combined assets, net sales and net income in the aggregate are not significant in relation to those of the consolidated financial statements of the Group, have been excluded from consolidation.

The Company and all of its consolidated subsidiaries use a fiscal year ending March 31, except for Trans Cosmos USA Inc., EnCompass Group Inc., EnCompass Technolution Inc., EnCompass Globalization Inc., EGI Fund Management Company L.L.C., EGI Fund Management 2 L.L.C., Unitrendix Corporation, Japan Internet Media Inc., PointCast Japan L.L.C., PointCast K.K., EnCompass Group K.K., Trans Cosmos Information Creative (China) Co., Ltd. Those subsidiaries use a fiscal year ending on December 31. The accounts of those subsidiaries have been consolidated by using the result of operations and account balances for such fiscal year and necessary adjustments have been made for material transactions that occurred between the different fiscal year-ends.

(2) Consolidation and Elimination

For the purposes of preparing the consolidated financial statements, any gains/losses in relation to inter-company transactions have been eliminated, and the portion thereof attributable to minority interests is charged to minority interests.

Applicable inter-company accounts have been eliminated. The cost of investments in the common stock of consolidated subsidiaries is offset by the underlying equity in net assets of such subsidiaries. The difference between the cost of an investment and the amount of underlying equity in net assets of such subsidiaries is deferred and amortized over 5-year period on a straight-line basis.

Adjustment is made to computation of depreciation to eliminate unrealized profits on depreciable assets sold among the Companies.

(3) Accounting for Investments in Unconsolidated Subsidiaries and Affiliates

The equity method is applied to investments in 9 affiliates (one unconsolidated subsidiary and 9 affiliates for the year ended March 31, 1999 and one unconsolidated subsidiary and 6 affiliates for the year ended March 31, 1998). The investments in the remaining unconsolidated subsidiaries and affiliates are carried at cost.

(4) Valuation of Securities

Securities having market quotations on stock exchanges included in either marketable securities (current portfolio) or investments in securities (non-current portfolio) are valued at the lower of cost or market value, cost being determined by the moving-average method. Other securities, including those listed on the NASDAQ national market, are valued at cost which is determined by the moving-average method or, for the year ended March 31, 1999, the lower of cost or market value.

Marketable securities held under "tokkin" funds are valued at cost.

(5) Inventories

Jobs and software in progress are stated at cost, which is determined on an individual project basis. Merchandise is mostly stated at cost, cost being determined by average cost method.

(6) Property and Equipment

Depreciation is computed on the declining-balance method, at rates based on the estimated useful lives which are prescribed by the Japanese income tax laws. Depreciation for buildings (excluding leasehold improvements and auxiliary facilities attached to buildings), which were acquired on or after April 1, 1998, is computed on the straight-line method.

Also the Company adopted useful lives of buildings (other than improvements) which had adopted useful lives of the buildings (other than improvements) which are shorter than those used in previous years, pursuant to the amendments to the Japanese income tax laws.

The effects of these changes are not material.

(7) Accounting for Leases

Disclosure requirements under Japanese GAAP require disclosure of certain pro forma information with respect to finance leases that do not transfer ownership of the leased assets. Such leases are so classified based on the relationship of the non-cancel lease term to the expected useful life of the asset and other factors indicating that the lease arrangement is in the nature of a financing arrangement.

(8) Amortization of Intangible Assets

Intangible assets are amortized on the straight-line method prescribed by the Japanese income tax laws. Software for internal use is amortized on the straight line method over 5 years and software for sales purposes is amortized based on estimated sales quantities over 3 years with minimum amortization of one-third of the total amortization.

(9) Amortization of deferred charges

Stock issue expenses are charged to income as incurred.

(10) Notes with Warrants and Translation Gains

In connection with the issue of the notes with warrants which matured in August 1997, the Company entered into long-term foreign exchange forward contracts to hedge the repayments of the notes. Accordingly, the covered portion of the bonds were translated at the forward exchange contract rate and the difference between the amounts translated at the forward contract rate and the amounts translated at the historical exchange rates was deferred and amortized over a period from the date when the foreign exchange forward contract was made to the settlement date based on the number of days.

During the year ended March 31, 1998, ¥41 million was amortized to income as "Non-Operating Income".

(11) Accounting for Consumption Tax

In Japan, the consumption tax is imposed at the flat rate of 5% on all purchases of goods and services for domestic consumption (with certain exemptions). The consumption tax imposed on the Group's domestic sales to customers is withheld by the Group at the time of sale and is paid to the national government subsequently. The consumption tax withheld upon sale and the consumption tax paid

by the Group on the purchases of goods and services are not included in the related amounts in the accompanying consolidated statements of income.

(12) Translation of Foreign Currency Financial Statements (Accounts of Overseas Consolidated Subsidiaries)

The translations of foreign currency financial statements of overseas consolidated subsidiaries into Japanese yen are made by applying the current exchange rate prevailing at the balance sheet date prescribed by the statements issued by the Business Accounting Council (BAC) of Japan.

(13) Appropriation of Retained Earnings

Under the Japanese Commercial Code and the Articles of Incorporation of the Company, the plan for appropriation of retained earnings (primarily for cash dividend payments) proposed by the Board of Directors is required to be approved at the shareholders' meeting which must be held within three months after the end of each financial year. The appropriations charged to retained earnings in each financial year as reflected in the accompanying financial statements represent those which were approved at the shareholders' meeting during that year and were applicable to the immediately preceding financial year.

As is customary in Japan, the payment of bonuses to directors is made out of retained earnings instead of being charged to income of the year, and constitutes a part of the appropriations mentioned above.

(14) Income Taxes

Income taxes are provided for based on the amounts required by the tax returns for the fiscal years. No tax effect is recorded for timing differences in the recognition of certain expenses for tax and financial reporting purposes.

(15) Net Income and Cash Dividends per Share

The computation of net income per share is based on the weighted average number of shares of common stock outstanding. Cash dividends per share shown in the consolidated statement of income are the amounts applicable to the respective years.

3. Additional Information

(1) Amortization of Excess of Costs of Investments over Equity in Net Assets

Until the year ended March 31, 1998, "Amortization of Excess of Costs of Investments over Equity in Net Assets" account had been separately recorded in the Statement of Income. In the Statement of Income for the year ended March 31, 1999, however, "Amortization of Excess Costs of Investments over Equity in Net Assets" is recorded as an account of "Non-Operating Income Expense".

(2) Equity in Earnings of Unconsolidated Subsidiaries and Affiliates

Until the year ended March 31, 1998, "Equity in Earnings of Unconsolidated Subsidiaries and Affiliates" had been separately recorded. In the Statement of Income for the year ended March 31, 1999, however, "Equity in Earnings of Unconsolidated Subsidiaries and Affiliates" is recorded as an account of "Non-Operating Expenses".

4. United States Dollar Amounts

The Company maintains accounting records in yen in consolidation. The dollar amounts included in the consolidated financial statements and notes thereto represent the arithmetical results of translating yen to dollars on the basis of ¥106.15=U.S.\$1. The inclusion of such

dollar amounts is solely for convenience and is not intended to imply that yen amounts have been or could be readily converted, realized or settled in dollars at ¥106.15=U.S.\$1 or any other rate.

5. Marketable Securities and Investments in Securities

	March 31,	
	2000 (Millions of Yen)	2000 (Thousands of U.S. Dollars)
Marketable securities (current portfolio):		
Listed corporate shares	¥ 5,592	\$ 52,680
Other	20,240	190,674
	<u>¥25,832</u>	<u>\$243,354</u>
Investments in securities (long-term portfolio):		
Listed corporate shares	¥ 920	\$ 8,667
Other	3,720	35,045
	<u>¥ 4,640</u>	<u>\$ 43,712</u>

Market value information of listed corporate shares in the above table at March 31, 2000 is as follows:

	2000		2000
	Book Value (Millions of Yen)	Market Value Unrealized Gain (Loss)	Unrealized Gain (Loss) (Thousands of U.S. Dollars)
Marketable securities	¥5,592	¥72,069 ¥66,477	\$626,255
Investments in securities	¥ 920	¥ 1,138 ¥ 218	\$ 2,054

6. Jobs and Software in Progress

“Jobs and Software in Progress” represents the accumulated costs of uncompleted work for software development, data processing and other jobs under contract with customers.

7. Property and Equipment

Property and equipment as of March 31, 1999 and 2000 are summarized as follows.

	March 31,		
	1999 (Millions of Yen)	2000	2000 (Thousands of U.S. Dollars)
Buildings and structures	¥2,501	¥2,607	\$24,560
Cars and vehicles	70	76	716
Equipment, furniture and fixtures	2,007	2,403	22,638
	<u>4,578</u>	<u>5,086</u>	<u>47,914</u>
Less: accumulated depreciation	(1,868)	(2,125)	(20,019)
	<u>2,710</u>	<u>2,961</u>	<u>27,895</u>
Land	1,861	1,858	17,504
Construction in progress	—	498	4,691
	<u>¥4,571</u>	<u>¥5,317</u>	<u>\$50,090</u>

8. Fixed Leasehold Deposits

Fixed leasehold deposits as at March 31, 1999 and 2000 are deposits paid to the lessors in connection with leases of buildings and facilities for office space, computers and related equipment. Lessors in Japan require large amounts of leasehold deposits equivalent to several months' lease rental payments. Such leasehold deposits do not bear interest and are generally returnable only after the lease is terminated.

9. Short-term and Long-term Bank Loans

The annual average interest rate applicable to short-term bank loans at March 31, 2000 is 1.56%. Aggregate annual maturity of long-term bank loans subsequent to March 31, 2000 is as follows:

Year ending March 31,	Millions of Yen	Thousands of U.S. Dollars
2002	¥ 1,410	\$ 13,283
2003	40	377
2004	37	349
2005	22	207
	<u>¥ 1,509</u>	<u>\$ 14,216</u>

10. Employees' Retirement Benefits

Employees with more than two years of service with the Company are generally covered by a funded non-contributory pension plan and are entitled to lump-sum retirement payments, the amount of which is determined by reference to the current job evaluation, length of service and conditions under which the terminations occur.

The pension plan of the Company consist of two programs. A qualified non-contributory pension program covers 80% of the retirement benefits to employees and had accumulated fund assets of ¥1,109 million at the most recent valuation date of September 30, 1999.

The other program covers 20% of the retirement benefits to employees and had accumulated fund assets of ¥4,096 million at March 31, 2000.

As is customary in Japan, the Company pays lump-sum retirement benefits to directors or statutory auditors upon retirement. Such payments, if any, are required to be approved by a general meeting of shareholders. The Company does not provide for a reserve for accrued retirement payments to directors and statutory auditors.

11. Contingent Liabilities

As of March 31, 2000, the Group was contingently liable as guarantor or under comfort letters or similar instruments for the following borrowings incurred by its unconsolidated subsidiaries, affiliates, and others.

	Millions of Yen	Thousands of U.S. Dollars
Guarantees on loans and other:		
So (director of Soft Brain Inc.)	¥ 300	\$ 2,826
J-One Inc.	260	2,449
Access Media International USA Inc.	191	1,799
Live Picture Japan	130	1,225
Other	302	2,845
	<u>¥1,183</u>	<u>\$11,144</u>

12. Lease Transactions

The Group leases certain equipment, furniture and fixtures. Pro forma information pertinent to the lease contracts of the Group, which do not transfer the ownership of the leased assets to lessees on an "as if capitalized" basis for the year ended March 31, 1999 and 2000, is as follows:

	March 31,	
	1999 (Millions of Yen)	2000 (Thousands of U.S. Dollars)
Acquisition	¥758	¥1,155
Accumulated Depreciation	(411)	(482)
Net leasehold property	<u>¥347</u>	<u>¥ 673</u>
		<u>\$ 6,340</u>

Future minimum lease payments under finance lease, which included the imputed interest expense on such lease contracts as of March 31, 1999 and 2000, are as follows:

	March 31,		
	1999 (Millions of Yen)	2000 (Millions of Yen)	2000 (Thousands of U.S. Dollars)
Due within one year	¥165	¥ 234	\$2,204
Due after one year	229	352	3,316
	<u>¥394</u>	<u>¥ 586</u>	<u>\$5,520</u>

Depreciation expense, lease expense and intent expense which are not reflected in the accompanying consolidated statements of income for the years ended March 31, 1999 and 2000, would be as follows.

	March 31,		
	1999 (Millions of Yen)	2000 (Millions of Yen)	2000 (Thousands of U.S. Dollars)
Depreciation expense	¥261	¥269	\$2,534
Lease expense	233	193	1,818
Interest expense	37	39	367

13. Derivatives and Hedging Activities

The Company utilize derivative financial instruments, which comprise forward exchange contracts to reduce exposure to market risks from fluctuations in foreign currency exchange rates. The Company holds derivative financial instruments within the amount with specific purposes of the transactions. The Company does not hold or issue derivative financial instruments for trading purposes.

The Company is exposed to certain market risks arising from its forward exchange contracts. The Company is also exposed to the risk of credit loss in the event of non-performance by the counterparties to the currency; however, the Company does not anticipate non-performance by any of these counterparties all of whom are financial institutions with high credit ratings.

Under the Company's risk management, all the derivative financial instruments are designed, executed and controlled by the financial department at an approval of the president. Due to rare transaction involved, no specific rule has been designed.

At March 31, 1999 and 2000, the forward exchange contracts outstanding are as follows:

	March 31,					
	1999		2000			
	Contractual value or Notional principal amount		Contractual value or Notional principal amount		Fair value	Valuation gain (loss)
	Total	Over one year	Total	Over one year		
	(Millions of Yen)					
Forward exchange contracts to buy U.S. dollars.	¥ —	¥ —	¥5,274	¥ —	¥5,157	¥(117)

	March 31,			
	2000			
	Contractual value or Notional principal amount		Fair value	Valuation gain (loss)
	Total	Over one year		
	(Thousands of U.S. Dollar)			
Forward exchange contracts to buy U.S. dollars.	¥49,684	¥ —	¥48,582	¥(1,102)

14. Loss on Liquidation of Business Segment

In connection with the bankruptcy of Ryowa Medical General Research Institute Inc., the Company incurred a loss of ¥391 million (\$3,683 thousand) in the year ended March 31, 2000, which consisted of the following:

	Millions of Yen	Thousands of U.S. Dollars
Write-down of other current assets	¥ 64	\$ 603
Write-down of investments in securities	327	3,080
	<u>¥391</u>	<u>\$3,683</u>

15. Income Taxes

The Company and its domestic subsidiaries are subject to several taxes based on income, which in the aggregate resulted in statutory tax rates of approximately 42.0% for the year ended March 31, 2000. Foreign subsidiaries are subject to income taxes of the countries in which they operate.

The effective rates of income taxes for the year ended March 31, 2000 differs from the Company's statutory tax rate for the following reasons:

Statutory tax rate	42.0%
Permanent difference on dividends received	(6.6)
Equity in earnings of affiliates	3.4
Tax loss carry forward no recognized	14.7
Dividends received eliminated on consolidation	6.6
Other	0.8
Effective tax rate	<u>60.9%</u>

The tax effects of temporary differences that give rise to significant portion of the deferred tax assets and liabilities as of March 31, 2000 are summarized as follows:

	Millions of Yen	Thousands of U.S. Dollars
	2000	2000
Deferred tax assets:		
Accrued bonus	¥ 142	\$ 1,338
Accrued enterprise tax	120	1,130
Accrued salary	76	716
Investments in securities for operating purpose	213	2,007
Investments in affiliates	26	225
Tax loss carry forward	1,240	11,681
Other	35	330
	<u>1,852</u>	<u>17,447</u>
Valuation allowance	(1,230)	(11,587)
Total deferred tax assets	622	5,860
Deferred tax liabilities		
Allowance for bad debt	(3)	(28)
Gain on capital reduction	(154)	(1,451)
Total deferred tax liabilities.....	<u>(157)</u>	<u>(1,479)</u>
Net deferred tax assets	<u>¥ 465</u>	<u>\$ 4,380</u>

16. Segment Information

(1) Industry Segment Information

The Company and its subsidiaries operate principally in the following two industry segments:

Industry segment:	Major activities:
Computer Services	Data processing, data entry, software development, sales of equipment
Venture Capital	Venture capital investment

Industry segment information for the years ended March 31, 1998 is not disclosed since more than 90% of total sales, operating income and total assets is occupied by Computer Services.

The segment information of the Company and its consolidated subsidiaries for the years ended March 31, 1999, classified by industry segments is summarized as follows:

	For the year ended March 31, 1999			Consolidated Total
	Computer Services Division	Venture Capital Division	Elimination or Unallocatable Amounts	
	(Millions of Yen)			
Sales:				
Sales to outside customers	¥37,306	¥1,088	—	¥38,394
Intersegment sales/transfers	20	—	¥ (20)	—
Total	37,327	1,088	(20)	38,394
Operating expenses	33,096	1,115	1,885	36,095
Operating profit or loss	¥ 4,231	¥ (27)	¥ (1,905)	¥ 2,299
Assets	¥19,172	¥9,747	¥22,901	¥51,820
Depreciation	426	16	(2)	440
Capital expenditure	4,487	24	242	714

	For the year ended March 31, 2000				Consolidated Total
	Computer Services	Venture Capital	Total Sales	Elimination & Unallocatable Amounts	
	(Millions of Yen)				
Sales:					
Sales to outside customers	¥44,991	¥ 3,891	¥48,882	¥ —	¥48,882
Inter-segment sales/transfers	143	—	143	(143)	—
Total	45,134	3,891	49,025	(143)	48,882
Operating expenses	40,509	1,887	42,396	1,821	44,217
Operating profit or loss	4,625	2,004	6,629	(1,964)	4,665
Assets	¥19,070	¥28,686	¥47,755	¥34,467	¥82,222
Depreciation	428	13	441	30	471
Capital expenditure	1,114	28	1,142	78	1,220

(Note 1) The amounts of operating loss included in the column "Elimination or Unallocatable Amounts" are 1,885 million and ¥1,821 million for the years ended March 31, 1999 and 2000, respectively, which includes expenses mostly charged to the Administration Department.

(Note 2) The amounts of assets included in the column "Elimination or Unallocatable Amounts" is ¥33,989 million and ¥34,597 million for the year ended March 31, 1999 and 2000, respectively, which include surplus working fund (cash and securities), long term investment fund (investments in securities and long-term deposits) and other assets which are attributable to the Administrative Department.

(Note 3) Industry segment information for the year ended March 31, 1998 is not disclosed since more than 90% of total sales, operating income and total assets is occupied by Computer Service.

(2) Geographic Segment Information

Segment information classified by geographic area (inside and outside Japan) for each of the three years ended March 31, 2000 is summarized as follows:

	For the year ended March 31, 1998					
	Japan	U.S.A.	China	Elimination or Unallocatable Amounts	Consolidated Total	
	(Millions of Yen)					
Sales:						
(1) Sales to outside customers	¥34,481	¥ 211	¥ 19	¥34,712	—	¥34,712
(2) Intersegment sales/transfers	—	—	0	0	¥ (0)	—
Total	34,481	211	20	34,712	(0)	34,712
Operating expenses	30,452	758	114	31,324	1,402	32,726
Operating profit or losses	¥ 4,029	¥ (546)	¥ (95)	¥ 3,388	¥ (1,402)	¥ 1,986
Assets	¥14,387	¥12,048	¥913	¥27,348	¥19,909	¥47,257

	For the year ended March 31, 1999					
	Japan	U.S.A.	China	Elimination or Unallocatable Amounts	Consolidated Total	
	(Millions of Yen)					
Sales:						
(1) Sales to outside customers	¥36,967	¥ 1,402	¥ 24	¥38,394	—	¥38,394
(2) Intersegment sales/transfers	20	14	—	¥35	¥ (35)	—
Total	36,987	1,417	24	38,429	(35)	38,394
Operating expenses	32,430	1,658	136	34,225	1,870	36,095
Operating profit or losses	¥ 4,557	¥ (241)	¥ (112)	¥ 4,204	¥ (1,905)	¥ 2,299
Assets	¥15,871	¥12,272	¥ 776	¥28,919	¥22,901*	¥51,820

	For the year ended March 31, 2000					
	Japan	U.S.A.	China	Elimination or Unallocatable Amounts	Consolidated Total	
	(Millions of Yen)					
Sales:						
(1) Sales to outside customers	¥43,786	¥ 5,064	¥ 32	¥48,882	—	¥48,882
(2) Intersegment sales/transfers	638	—	12	650	¥ (650)	—
Total	44,424	5,064	44	49,532	(650)	48,882
Operating expenses	38,836	3,428	132	42,396	1,821	44,217
Operating profit or losses	¥ 5,588	¥ 1,636	¥ (88)	¥ 7,136	¥ (2,471)	¥ 4,665
Assets	¥42,388	¥ 4,635	¥ 733	¥47,755	¥34,467	¥82,222

	For the year ended March 31, 2000					
	Japan	U.S.A.	China	Elimination or Unallocatable Amounts	Consolidated Total	
	(Thousands of U.S. Dollars)					
Sales:						
(1) Sales to outside customers	\$412,492	\$47,706	\$ 301	\$460,499	—	\$460,499
(2) Intersegment sales/transfers	6,010	—	113	6,123	\$ (6,123)	—
Total	418,502	47,706	414	466,622	(6,123)	460,499
Operating expenses	365,860	32,294	1,243	399,397	17,155	416,552
Operating profit or losses	\$ 52,642	\$15,412	\$ (829)	\$ 67,225	\$ (23,278)	\$ 43,947
Assets	\$399,322	\$ 6,905	\$6,905	\$449,882	\$324,701	\$774,583

(Note 1) The amounts of operating expense included in the column "Elimination or Unallocatable Amounts" are ¥1,870 million and ¥1,821 million for the year 1999 and 2000, respectively, which include expenses mostly charged by the Administrative Department.

(Note 2) The amounts of the assets included in the column "Elimination or Unallocatable Amounts" are 34,866 million and ¥34,897 for the year ended March 31, 1999, and 2000, respectively, which include surplus working fund (cash and securities), long term investment fund (investments in securities and long-term deposits) and other assets which belong to the Administrative Department.

(3) Sales outside Japan

	For the year ended March 31, 2000		
	U.S.A.	Other	Total
Overseas sales	¥ 5,804	¥ 107	¥ 5,912
Consolidated sales	—	—	48,882
Ratio	11.9%	0.2%	12.1%

	For the year ended March 31, 2000		
	U.S.A.	Other	Total
Overseas sales	\$54,677	\$1,008	\$ 55,695
Consolidated sales	—	—	460,499
Ratio	11.9%	0.2%	12.1%

Information of sales outside Japan for the years ended March 31, 1998 and 1999 is not disclosed since less than 10% of total consolidated sales is generated outside Japan.

17. Related Party Transactions

Material transactions of the directors of the Group companies for the years ended March 31, 2000 are as follows:

Name of related party	Company	Position	Percentage of equity ownership owned (%)	Counter party	Description of transactions	Millions of Yen / Thousands of U.S. Dollars			
						Transaction		Outstanding Balance	
						For the year ended March 31, 2000	Account	at March 31, 2000	
Koki Okuda	Trans Cosmos	Chairman and president	8.3	Trans Avail Inc	Consultation	¥ 108 \$1,017	Accounts payable	¥ 15	\$141
Juichi Tanizawa	Trans Cosmos	Representative director	0.0	Trans Engineering Inc.	Date processing	59 556	Accounts payable	7	66
					Loan	22 207			
					Guarantee	44 414			
Yuzuru Miyahara	Trans Cosmos	Director	0.0	Forward Systems Inc.	Sale of data processing	32 301	Accounts receivable	2	19
					Software developing	121 1,140	Accounts payable	16	151
					Loan	35 330			
					Guarantee	65 612			

18. Subsequent Events

No significant events subsequent to March 31, 2000 are noted.

Report of Independent Certified Public Accountants

To the Board of Directors of
Trans Cosmos Inc.:

We have audited the accompanying consolidated balance sheets of Trans Cosmos Inc. and its consolidated subsidiaries as at March 31, 2000 and 1999, and the related consolidated statements of income for each of the three years in the period ended March 31, 2000, all expressed in Japanese yen.

Our audits were made in accordance with the auditing standards, procedures and practices generally accepted and applied in Japan and, accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the consolidated financial statements referred to above present fairly the consolidated financial position of Trans Cosmos Inc. and its consolidated subsidiaries as at March 31, 2000 and 1999, and the consolidated results of their operations for each of the three years in the period ended March 31, 2000, and their cash flows for the year ended March 31, 2000, in conformity with accounting principles and practices generally accepted in Japan (see Note 1) applied on a consistent basis.

As described in Note 2, effective for the year ended March 31, 2000, Trans Cosmos Inc. and its consolidated subsidiaries have adopted new Japanese accounting standards for preparation of consolidated financial statements, research and development costs and income taxes.

The amounts expressed in U.S. dollars, provided solely for the convenience of the reader, have been translated on the basis set forth in Note 4 to the accompanying consolidated financial statements.

ChuoAoyama Audit Corporation

ChuoAoyama Audit Corporation

Tokyo, Japan
June 29, 2000

Non-Consolidated Balance Sheets

TRANS COSMOS Inc.

At March 31, 1999 and 2000

	March 31,		
	1999	2000	2000
	(Millions of Yen)		(Thousands of U.S. Dollars) (Note 3)
ASSETS			
Current Assets:			
Cash, Time deposits and commercial paper	¥ 2,573	¥13,038	\$122,826
Marketable securities	1,974	10,516	99,067
Notes and accounts receivable:			
Customers	4,380	5,769	54,348
Subsidiaries and affiliates	448	812	7,649
	4,828	6,581	61,997
Less: allowance for bad debts	(48)	(29)	(273)
	4,780	6,552	61,724
Loans to subsidiaries	4,695	—	—
Jobs and software in progress and merchandise	560	582	5,483
Deferred tax assets		277	2,609
Merchandise	576	480	4,522
Prepaid expenses	264	285	2,685
Other current assets	1,074	812	7,650
Total current assets	16,496	32,542	306,566
Investments and Advances:			
Investments in securities	1,445	4,250	40,038
Investments in and advances to subsidiaries and affiliates	11,496	27,515	259,209
Long-term time deposits	11,000	2,000	18,841
Other investments	4,902	6,105	57,513
Total investments and advances	28,843	39,870	375,601
Property and Equipment, at cost, less Accumulated Depreciation	3,741	4,368	41,149
Fixed Leasehold Deposits	1,474	1,760	16,580
Deferred Charges, Intangibles and other	502	489	4,607
	¥51,056	¥79,029	\$744,503

The accompanying notes are an integral part of the statements.

LIABILITIES AND SHAREHOLDERS' EQUITY

	March 31,		
	1999	2000	2000
	(Millions of Yen)		(Thousands of U.S. Dollars) (Note 3)
Current Liabilities:			
Short-term bank loans	¥ 7,000	¥ —	\$ —
Accounts payable:			
Suppliers	956	1,945	18,323
Subsidiaries and affiliates	657	919	8,658
	1,613	2,864	26,981
Income taxes payable	986	1,146	10,796
Accrued expenses	311	454	4,277
Accrued bonuses to employees	749	914	8,610
Other current liabilities	490	483	4,550
Total current liabilities	11,149	5,861	55,214
Long-term Liabilities:			
Long-term bank loans	76	164	1,545
Deferred tax liabilities	—	128	1,206
Total long-term liabilities	76	292	2,751
Foreign Currency Translation Adjustments			
Contingent Liabilities			
Shareholders' Equity:			
Common stock, par value ¥50 per Share			
Authorized - 32,800,000 shares at March 31, 1999 and 2000			
Issued - 21,344,613 shares and 24,344,613 shares at March 31, 1999 and 2000 ...	13,421	29,024	273,424
Additional paid-in capital	14,244	29,847	281,178
Legal reserve	250	301	2,836
General reserve	10,000	11,200	105,511
Retained earnings	1,916	2,504	23,589
Total shareholders' equity	39,831	72,876	686,538
	¥51,056	¥79,029	\$744,503

The accompanying notes are an integral part of the statements.

Non-Consolidated Statements of Income

TRANS COSMOS Inc.

For the years ended March 31, 1998, 1999 and 2000

	For the year ended March 31,			
	1998	1999	2000	2000
	(Millions of Yen)			(Thousands of U.S. Dollars) (Note 3)
Net Sales	¥31,492	¥34,543	¥39,386	\$371,041
Cost of Sales	23,736	26,677	30,592	288,196
Gross profit	7,756	7,866	8,794	82,845
Selling, General and Administrative Expenses	4,626	5,004	5,228	49,251
Operating income	3,130	2,862	3,566	33,594
Non-Operating Income (Expenses):				
Interest income	405	329	363	3,420
Interest expenses	(57)	(24)	(28)	(264)
Foreign exchange gain	39	388	—	—
Dividend income	27	386	569	5,360
Loss on sale/disposal of property	(74)	(48)	(57)	(537)
Loss on disposal of inventories	—	(105)	(69)	(650)
Insurance payment received	61	—	—	—
Write-down of marketable securities and investments in securities	(183)	(69)	—	—
Gain on sale/disposal of marketable securities	121	3	18	170
Loss on sale/disposal of investments in securities	(7)	(21)	—	—
Gain on sale/disposal of investments in affiliates	—	—	512	4,823
Loss on liquidation of business segment	—	(323)	(704)	(6,632)
New share issue expenses	—	—	(254)	(2,393)
Loss on disposal of investments in partnership	—	—	(73)	(688)
Loss on closure of offices	—	—	(90)	(848)
Amortization of long term prepaid expenses	—	(137)	—	—
Other, net	(81)	56	41	387
Income before income taxes	3,381	3,297	3,794	35,742
Income Taxes	1,862	1,550	—	—
- Current	1,862	1,550	1,594	15,017
- Deferred	—	—	(119)	(1,121)
Net income	¥ 1,519	¥ 1,747	¥ 2,319	\$ 21,846
Per Share:		Yen		U.S. Dollars
Net income	¥ 71.1	¥ 81.9	¥ 99.9	\$ 0.94
Cash dividends	¥ 20.0	¥ 20.0	¥ 20.0	\$ 0.19
Weighted average number of shares (in thousands)	21,344	21,344	23,210	23,210

The accompanying notes are an integral part of the statements.

Non-Consolidated Statements of Shareholders' Equity

TRANS COSMOS Inc.

For the years ended March 31, 1998, 1999 and 2000

	Number of shares of common stock	(Millions of Yen)				Retained earnings
		Common stock	Additional paid-in capital	Legal reserve	General reserve	
Balance as at March 31, 1997	21,079,454	12,946	13,769	153	8,000	1,721
Cash dividends	—	—	—	—	—	(398)
Transfer to legal reserve	—	—	—	45	—	(45)
Directors' bonuses	—	—	—	—	—	(43)
Transfer to general reserve	—	—	—	—	1,000	(1,000)
Exercise of warrants	265,159	475	475	—	—	—
Net income for the year ended March 31, 1998	—	—	—	—	—	1,519
Balance as at March 31, 1998	21,344,613	13,421	14,244	198	9,000	1,744
Cash dividends	—	—	—	—	—	(470)
Transfer to legal reserve	—	—	—	52	—	(52)
Directors' bonuses	—	—	—	—	—	(53)
Transfer to general reserve	—	—	—	—	1,000	(1,000)
Net income for the year ended March 31, 1999	—	—	—	—	—	1,747
Balance as at March 31, 1999	21,344,613	¥13,421	¥14,244	¥250	¥10,000	¥1,916
Cash dividends	—	—	—	—	—	(457)
Transfer to legal reserve	—	—	—	51	—	(51)
Directors' bonuses	—	—	—	—	—	(53)
Transfer to general reserve	—	—	—	—	1,200	(1,200)
New share issue on August 17, 1999	3,000,000	15,603	15,603	—	—	—
Prior years' tax adjustments	—	—	—	—	—	30
Net income for the year ended March 31, 2000	—	—	—	—	—	2,319
Balance as at March 31, 2000	24,344,613	¥29,024	¥29,847	¥301	¥11,200	¥2,504

	(Thousands of U.S. Dollars) (Note 3)				
	Common stock	Additional paid-in capital	Legal reserve	General reserve	Retained earnings
Balance as at March 31, 1999	\$126,434	\$134,188	\$2,356	\$94,206	\$18,049
Cash dividends	—	—	—	—	(4,305)
Transfer to legal reserve	—	—	480	—	(480)
Directors' bonuses	—	—	—	—	(499)
Transfer to general reserve	—	—	—	11,305	(11,305)
New share issue on August 17, 1999	146,990	146,990	—	—	—
Prior years' tax adjustments	—	—	—	—	283
Net income for the year ended March 31, 2000	—	—	—	—	21,846
Balance as at March 31, 2000	\$273,424	\$281,178	\$2,836	\$105,511	\$23,589

The accompanying notes are an integral part of the statements.

Notes to the Non-Consolidated Financial Statements

TRANS COSMOS Inc.

1. Basis of Presenting Non-Consolidated Financial Statements

(1) Accounting Principles

The accompanying non-consolidated financial statements have been presented from accounts maintained by Trans Cosmos Inc. (the "Company"). The Company has maintained their accounts in accordance with the provisions set forth in the Commercial Code of Japan and the Securities and Exchange Law and in conformity with accounting principles and practices generally accepted in Japan, which are different in certain respects as to application and disclosure requirements from those of International Accounting Standards.

Certain items presented in the consolidated financial statements submitted to the Director of Kanto Finance Bureau in Japan have been reclassified in these accounts for the convenience of readers outside Japan.

The statement of cash flows has been required to be prepared in the consolidated financial statements with effect for the year ended March 31, 2000, in accordance with a new accounting standard. The statement of cash flows for the years ended March 31, 1998 and 1999 are not prepared in the accompanying non-consolidated financial statements.

The non-consolidated financial statements are not intended to present the non-consolidated financial position and results of operations of the Company in accordance with accounting principles and practices generally accepted in countries and jurisdictions other than Japan.

2. Accounting Principles and Practices Employed by the Company

Accounting principles and practices employed by the Company in preparing the accompanying non-consolidated financial statements, which have significant effects thereon, are explained in Note 2 of

the Notes to the Consolidated Financial Statements. Therefore, the accompanying non-consolidated financial statements should be read in conjunction with such notes.

3. United States Dollar Amounts

The Company maintains its accounting records in yen. The dollar amounts included in the non-consolidated financial statements and notes thereto represent the arithmetical results of translating yen to dollars on the basis of ¥106.15=U.S.\$1. The inclusion of such dollar

amounts is solely for convenience and is not intended to imply that yen amounts have been or could be readily converted, realized or settled in dollars at ¥106.15=U.S.\$1 or any other rate.

Major Consolidated Subsidiaries

Name	Aggregate Paid-in Capital (millions)	Ownership (%)	Principal Business
In Japan			
A.T. Interactive Inc.	¥560	80	Internet-related advertising agency and various advertising services.
Asahi MKC Inc.	¥100	75	Education of information management-related technicians (operation of Asahi Computer School).
C-Three Inc.	¥200	66	Three-dimensional CAD-related services.
DoubleClick Japan Inc.	¥180	53	Internet advertising network services.
e Ventures Inc.	¥100	60	Venture capital investments. Investing in domestic Internet venture firms.
J-Stream Inc.	¥780	56	Internet broadcasting-related services.
Solution Labo. TSI Co., Ltd.	¥100	87	Development of software.
Techno Bouquet Inc.	¥160	100	Data entry services etc.
Overseas			
EnCompass Globalization Inc.	\$1.00	(100)	U.S. software localization and assignment of information management technicians.
EnCompass Group Inc.	\$45.00	(90)	U.S. venture capital investments.
Trans Cosmos Information Creative (China) Co., Ltd.	RMB 81.9	(100)	Information management services in China.
Trans Cosmos USA Inc.	\$205,476	100	U.S. holding company and venture capital investments.

() indicates indirect ownership.

Offices and Related Facilities

■Headquarters

National Headquarters/
Sumitomo Seimei Akasaka Building
Akasaka 3-3-3, Minato-ku, Tokyo, 107-0052
Tel: 81-3-3586-2880 Fax: 81-3-3586-2419

Tokyo Headquarters/
Sumitomo Seimei Akasaka Building
Akasaka 3-3-3, Minato-ku, Tokyo, 107-0052
Tel: 81-3-3584-6681 Fax: 81-3-3584-6478

Osaka Headquarters/
Shin Asahi Building
Nakanoshima 2-3-18, Kita-ku, Osaka, 530-0005
Tel: 81-6-6202-7601 Fax: 81-6-6202-7610

■Regional Offices

Sapporo Office/
Sumitomo Seimei Sapporo Chuo Building
Minami 2-Jo Higashi 1-1-14, Chuo-ku, Sapporo, 060-0052
Tel: 81-11-271-0259 Fax: 81-11-232-0180

Sendai Office/
Miyagino Center Building
Zakuro-oka 4-5-22, Miyagino-ku, Sendai, 983-0852
Tel: 81-22-293-3255 Fax: 81-22-293-3181

Nagoya Office/
Kanebo Building
Meieki 4-17-19, Nakamura-ku, Nagoya, 450-0002
Tel: 81-52-583-1830 Fax: 81-52-582-6469

Wakayama Office/
Wakayama Nisseki Kaikan
Fukiage 2-1-22, Wakayama, 640-8137
Tel: 81-734-32-1831 Fax: 81-734-32-1832

Hiroshima Office/
Hiroshima Green Building
Nakamachi 8-12, Naka-ku, Hiroshima, 730-0037
Tel: 81-82-249-4970 Fax: 81-82-249-5204

Fukuoka Office/
Sumitomo Seimei Hakata-Ekimae Building
Hakata-eki Higashi 1-13-9, Hakata-ku, Fukuoka, 812-0013
Tel: 81-92-473-1267 Fax: 81-91-475-1625

■Presentation Centers

Tokyo/ Akasaka 3-3-3, Minato-ku, Tokyo, 107-0052
Tel: 81-3-3584-6681

Osaka/ Nakanoshima 2-3-18, Kita-ku, Osaka, 530-0005
Tel: 81-6-6202-7601

■Training Centers

Tokyo/ Akasaka 3-3-3, Minato-ku, Tokyo, 107-0052
Tel: 81-3-3584-6738

Osaka/ Nakanoshima 2-3-18, Kita-ku, Osaka, 530-0005
Tel: 81-6-6202-7601

■Outsourcing Centers

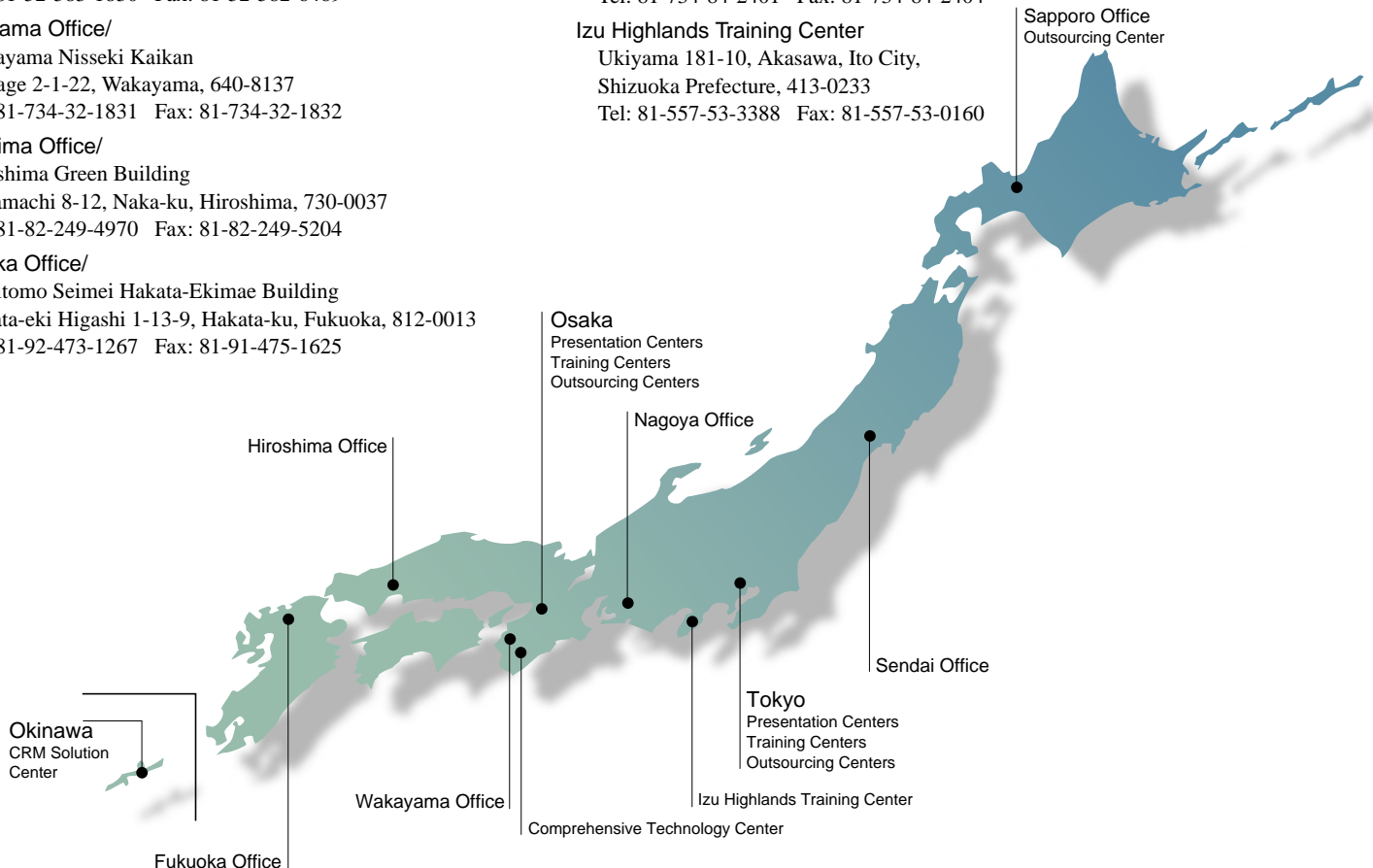
Tokyo/
HelpDesk Solutions Center, Call Center,
Network Security Center, CAD Center, Windows Center,
Macintosh Center, Multimedia Center, SI Center,
Database Center
Osaka/
Call Center, Network Security Center, CAD Center,
CAD/SI Center, DTP Center, Open Systems Center,
Database Centre

■Other Facilities

Comprehensive Technology Center
Minami-Akasaka 17,
Kainan City, Wakayama Prefecture, 642-0017
Tel: 81-734-84-2401 Fax: 81-734-84-2404

Izu Highlands Training Center
Ukiyama 181-10, Akasawa, Ito City,
Shizuoka Prefecture, 413-0233
Tel: 81-557-53-3388 Fax: 81-557-53-0160

Sapporo Office
Outsourcing Center



Directors and Statutory Auditors

As of June 29, 2000

Chairman, President & CEO; Representative Director
Koki Okuda

Vice Chairman; Representative Directors
Ichizo Nakai
Isamu Sagara

Executive Vice President; Representative Directors
Shozo Okuda
Koji Funatsu
Yasuki Matsumoto
Masataka Okuda

Senior Managing Directors
Yoshiharu Uenoyama
Hideaki Ishioka
Mitsuo Ishii

Managing Directors
Noriyuki Kato
Hirotaka Uehata
Ichiro Kawaguchi
Kuniko Ishikawa
Toshikazu Tanizawa

Takahide Murao
Tatsushi Maekawa

Directors
Makoto Moro
Hiroshi Kaizuka
Ikuo Horie
Yuzuru Miyahara
Kazuhiko Sugiura
Shinichi Misawa
Akira Miyake
Uju Yamazaki
Norio Ueno
Akihiko Soyama

Standing Statutory Auditor
Tadahisa Murota

Statutory Auditors
Masao Saito
Kazumi Miyata
Kenkichiro Ohkubo

Corporate Data

As of March 31, 2000

Company Name: TRANS COSMOS Inc.

Incorporated: June 18, 1985

Paid-in Capital: ¥29,024million

Number of Employees: 4,482

Number of Authorized Shares: 32,800,000

Number of Issued Shares: 24,344,613

Number of Shareholders: 16,482

Principal Shareholders

Name	Number of Shares held (thousands)	Percentage of total issued Shares (%)	Common Stock Price Range	
			High	Low
OK Kosan Limited	4,392	18.04	¥ 6,818	¥ 3,340
Koki Okuda	2,026	8.32	4,190	2,150
Okuda Corporation	1,815	7.46	3,880	2,340
Okuda Shoji Co., Ltd.	704	2.89	46,100	2,880
State Street B/K. & Trust Company	607	2.50	56,000	25,690
The Sakura Bank, Limited	456	1.88		
The Mitsubishi Trust and Banking Corporation	447	1.84		
Chase Manhattan Bank N.A. London S.L. Omnibus Account	405	1.67		
The Sanwa Bank, Limited	375	1.54		
Japan Securities Finance Co., Ltd.	348	1.43		
Total	<u>11,579</u>	<u>47.57</u>		

Stock Listing

Tokyo Stock Exchange, First Section

Transfer Agent and Registrar

The Sumitomo Trust and Banking Co., Ltd.

Independent Auditors

ChuoAoyama Audit Corporation

Common Stock Price Range

Calendar Year	Common Stock Price Range	
	High	Low
1996	¥ 6,818	¥ 3,340
1997	4,190	2,150
1998	3,880	2,340
1999	46,100	2,880
2000 1st quarter	56,000	25,690



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