

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

Your
Global



Partner.

ANNUAL REPORT 2008
Year ended 31 March 2008

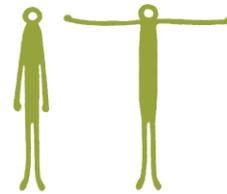
trans
cosmos
people & technology

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

People & Technology

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

Your Global



Partner.

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

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Forward-looking Statements

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

FY2008 Highlights

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

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

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

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

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

Net income per share was
¥(74.37)

Cash dividends per share were
¥40

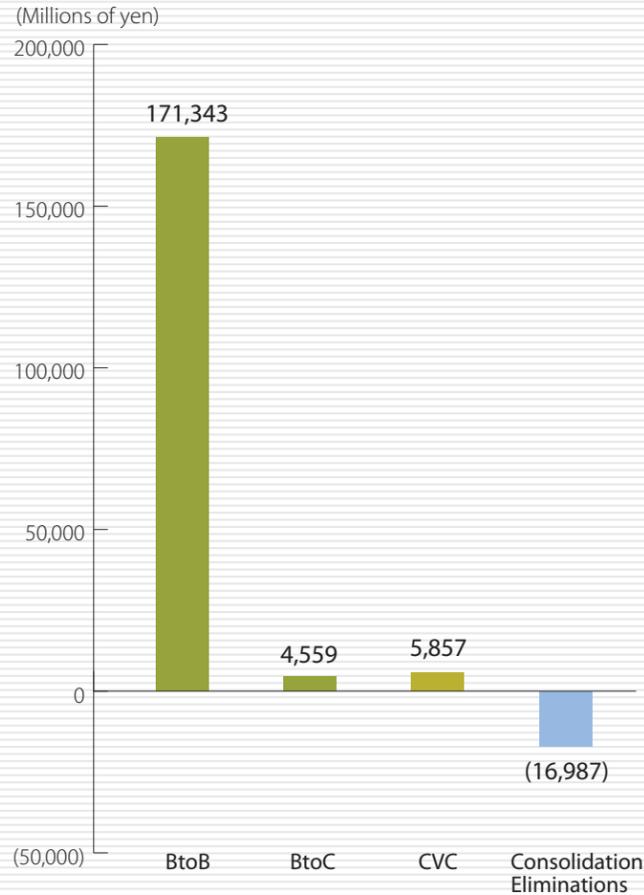
Topics

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

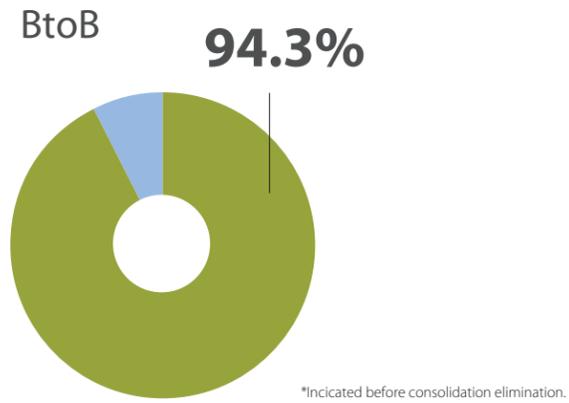
Established **transcosmos MCM Asia Pacific Pte. Ltd.** as a full-scale operations base in Singapore and began providing services in ASEAN countries.

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

Net Sales by Segment



IT Services



Digital Marketing Services

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

Call Center Services

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

Business Process Outsourcing Services

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

Business Process Solution Services

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

Engineering Solution Services

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

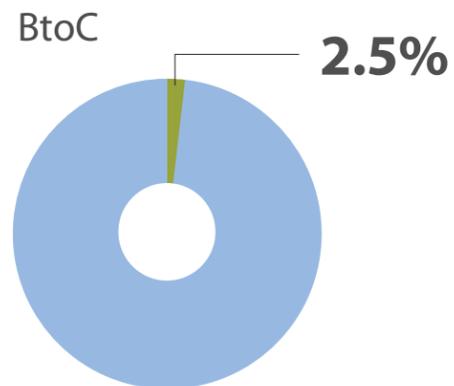
Overseas Business

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

Offshore System Developing Services in China

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

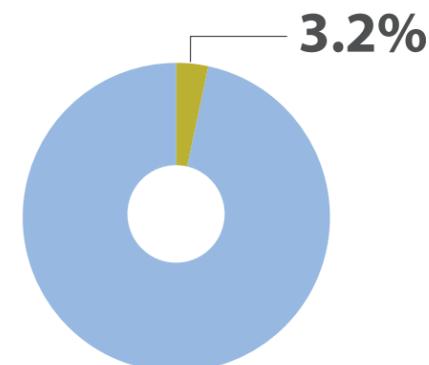
IT Services



BtoC Media Services

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

Corporate Venture Capital Business (CVC)



Corporate Venture Capital Business

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

transcosmos Conducts Business Globally

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

List of Overseas Businesses

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

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

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

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

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

Full-scale Expansion into ASEAN

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

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

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

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

transcosmos Begins Support Services for Japanese Companies Entering Chinese Markets

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

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

One-stop Support Services for All Non-core Operations

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

Message from the Management



Koji Funatsu
Chairman & CEO

Summary of Business Results for the Fiscal Year Under Review

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

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

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

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

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

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

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

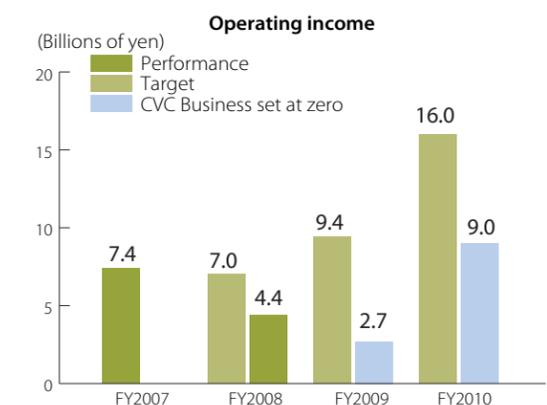
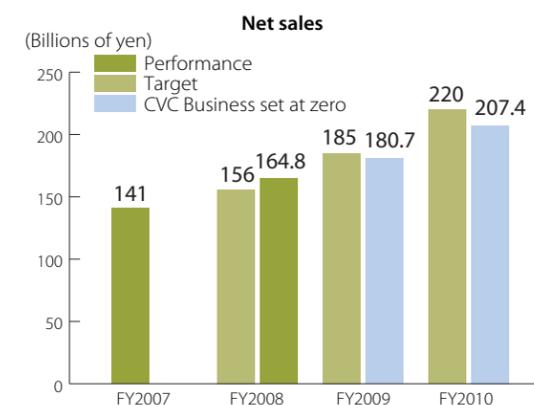
As a result of the above, we will not change the goals set in the Medium-Term Business Plan, the final year of which is FY2010 (the fiscal year ending March 2010), despite the fact that we forecast ongoing declines in sales and income in the CVC business, given that the current market slump is expected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

Future Actions

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

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

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



Mission of Medium-Term Business Plan

Become No. 1 in the digital marketing industry

Become Japan's largest global IT outsourcer

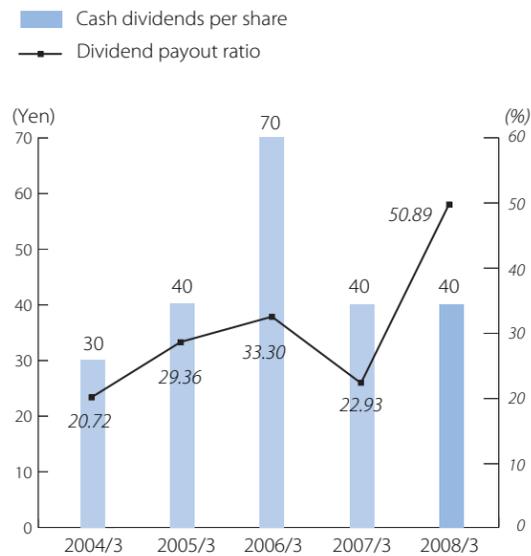
Establish a BtoC business

Basic Policy Concerning Dividends

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

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

Cash Dividends Per Share and Dividend Payout Ratio



Corporate Governance

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

Basic Management Policy

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

Commitment to our clients

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

Commitment to our employees

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

Commitment to society and our stockholders

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

Review of Operations

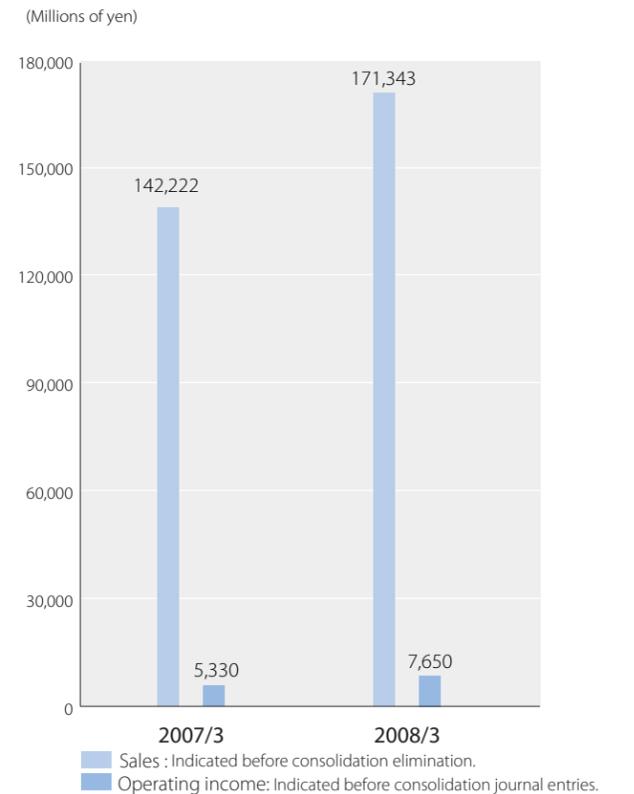
IT Services BtoB



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

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

Consolidated Sales and Operating Income in the BtoB Business



Principal Subsidiaries



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

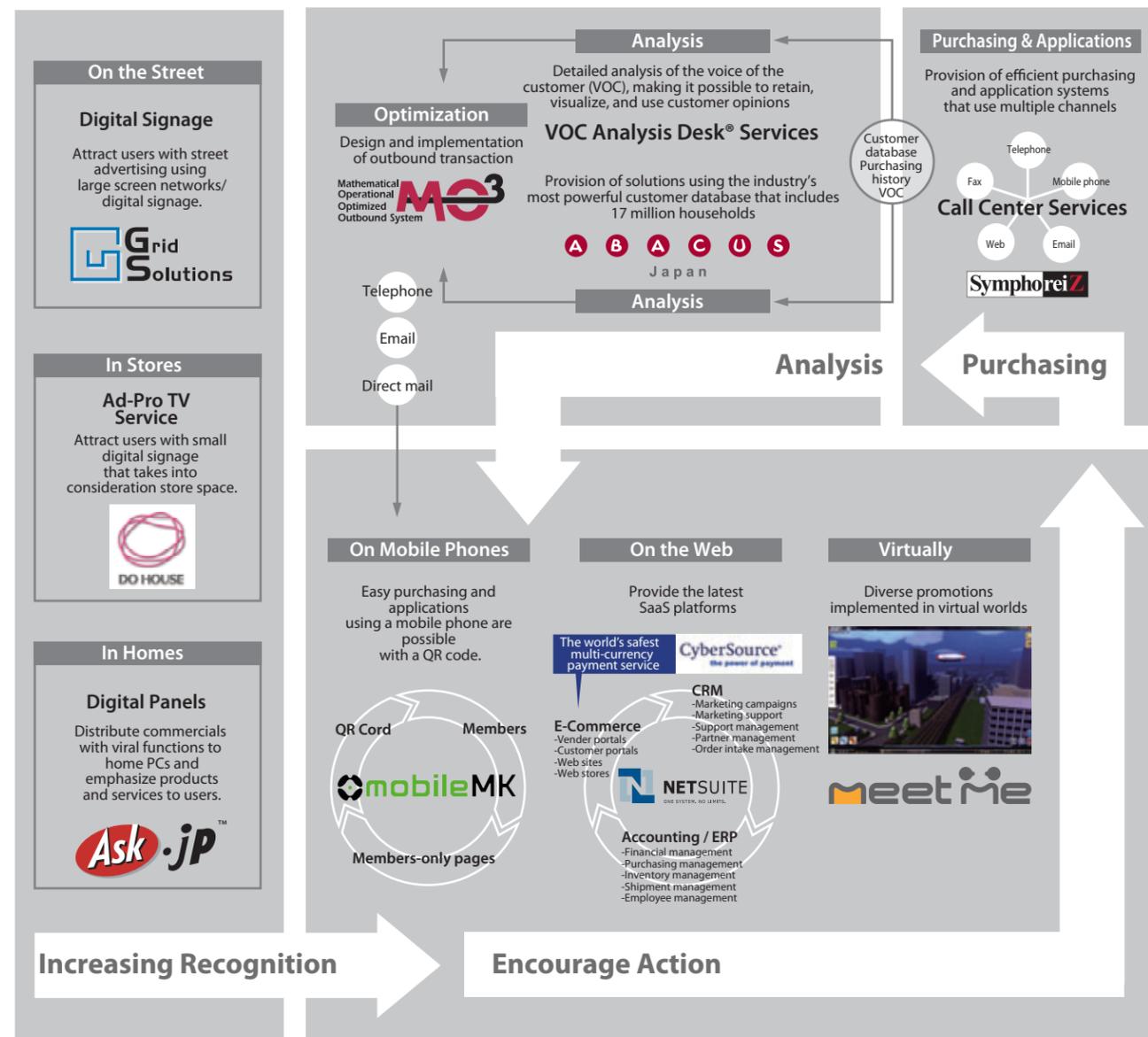
Japan's largest streaming video provider, also engaged in the podcasting portal service.



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

Global standard in Internet advertising distribution.

Digital Marketing Service Total Solution



*VOC: Voice of the Customer, meaning customer feedback

Digital Marketing Services

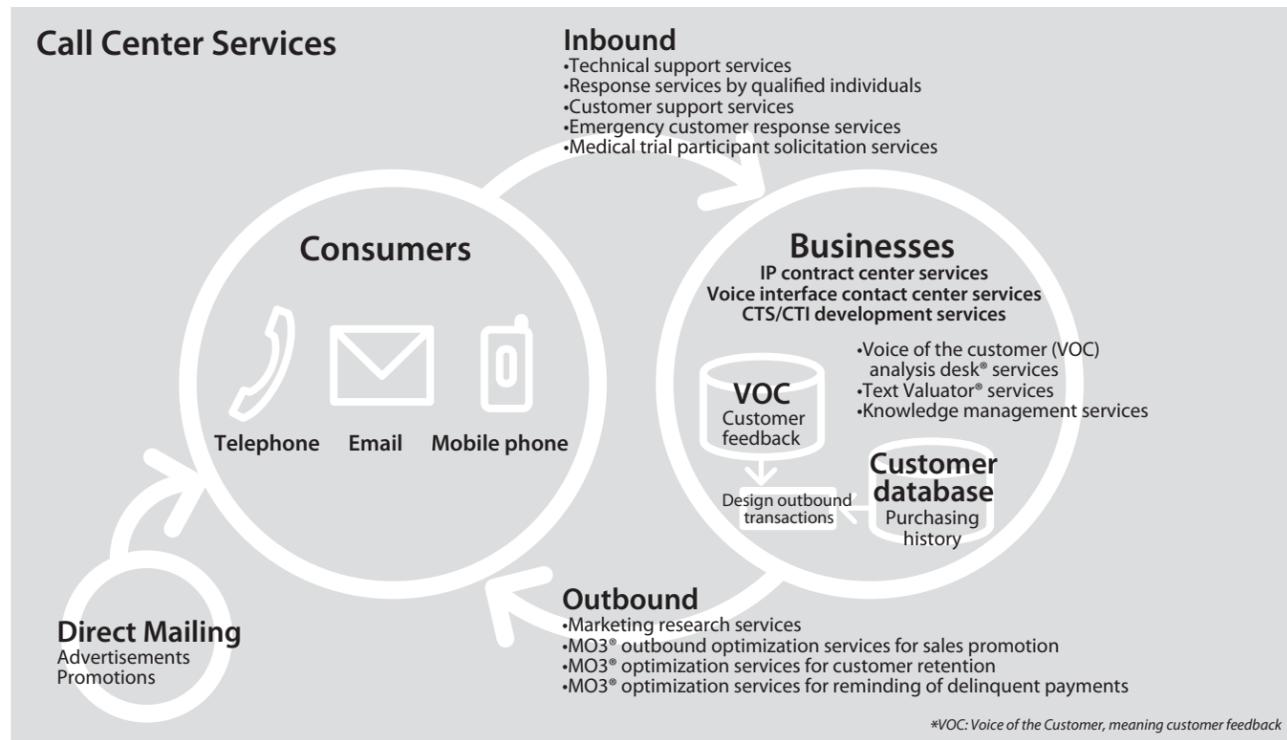
The Digital Marketing Services support the full range of corporate marketing activities through advertising agency services for the Internet and other types of advertising, promotions, and marketing research, as well as Web integration services such as website development and operation. During the fiscal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

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

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

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

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



Call Center Network



Sales Growth Rates

(up from the previous fiscal year)



Call Center Services

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

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

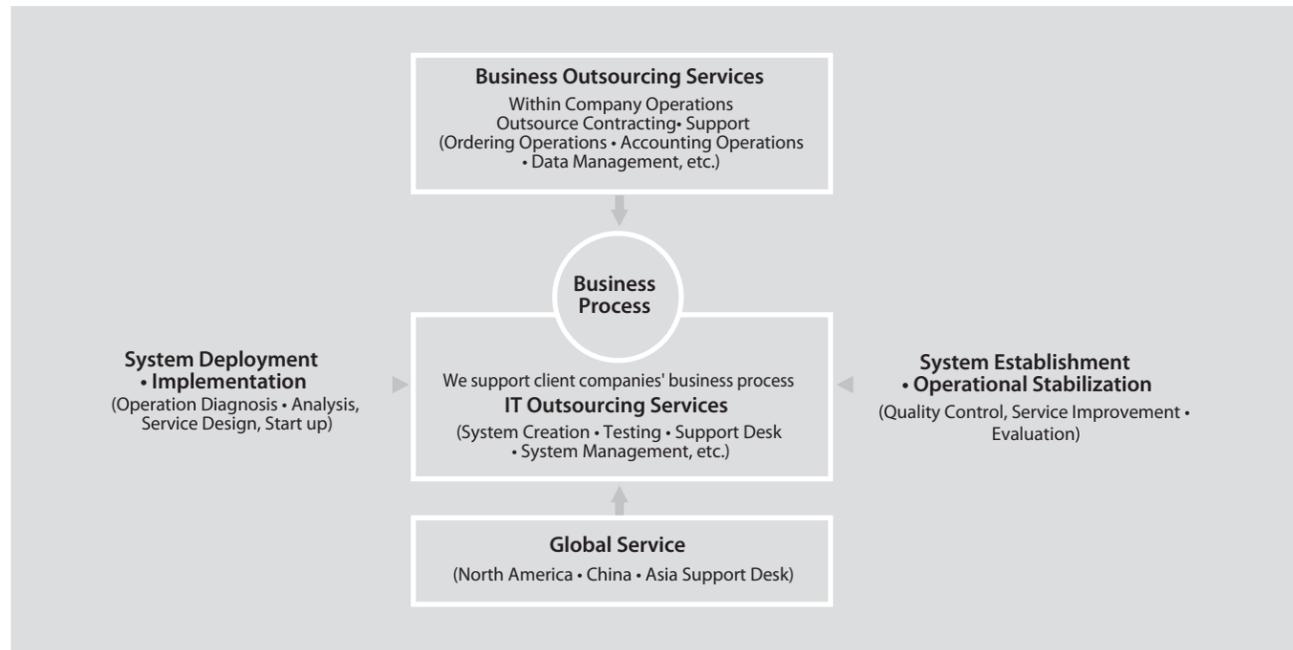
financial product lines. In the communications sector, customer service operations are increasing in conjunction with the expansion of optical fiber lines and mobile phone programming support is also increasing. The logistics sector is experiencing growth in such business areas as the ordering services,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

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

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

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

*VOC means customer feedback.



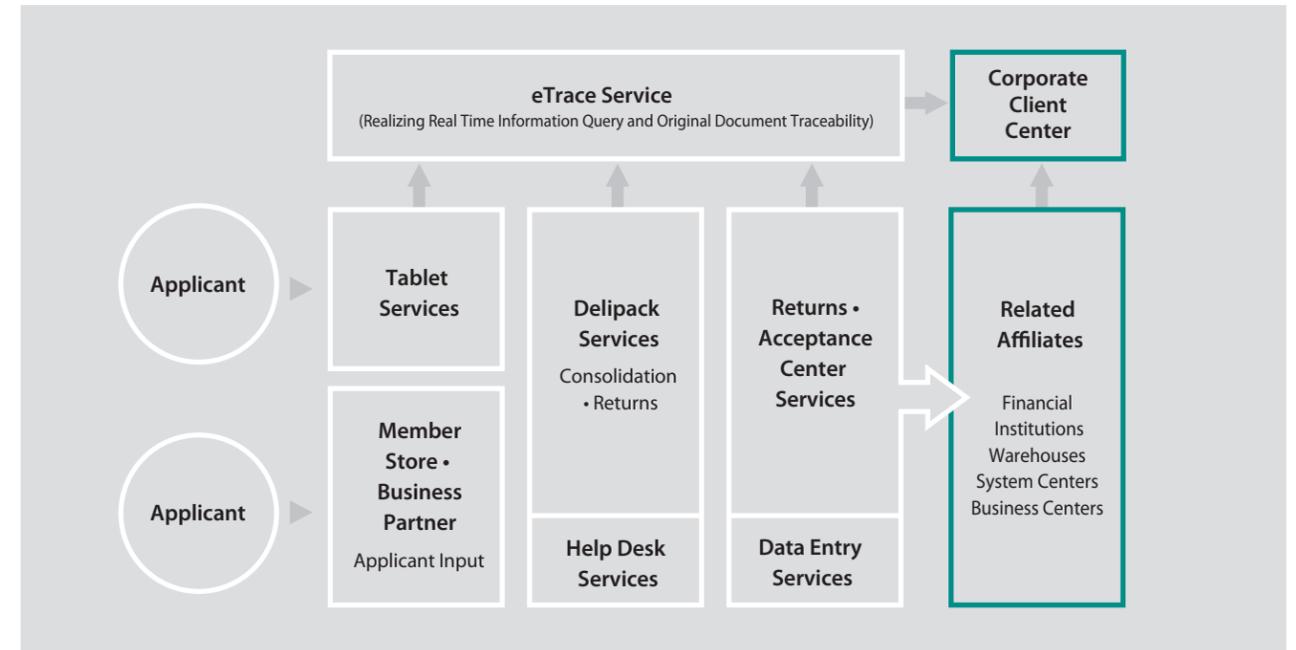
Business Process Outsourcing (BPO) Services

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

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

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

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



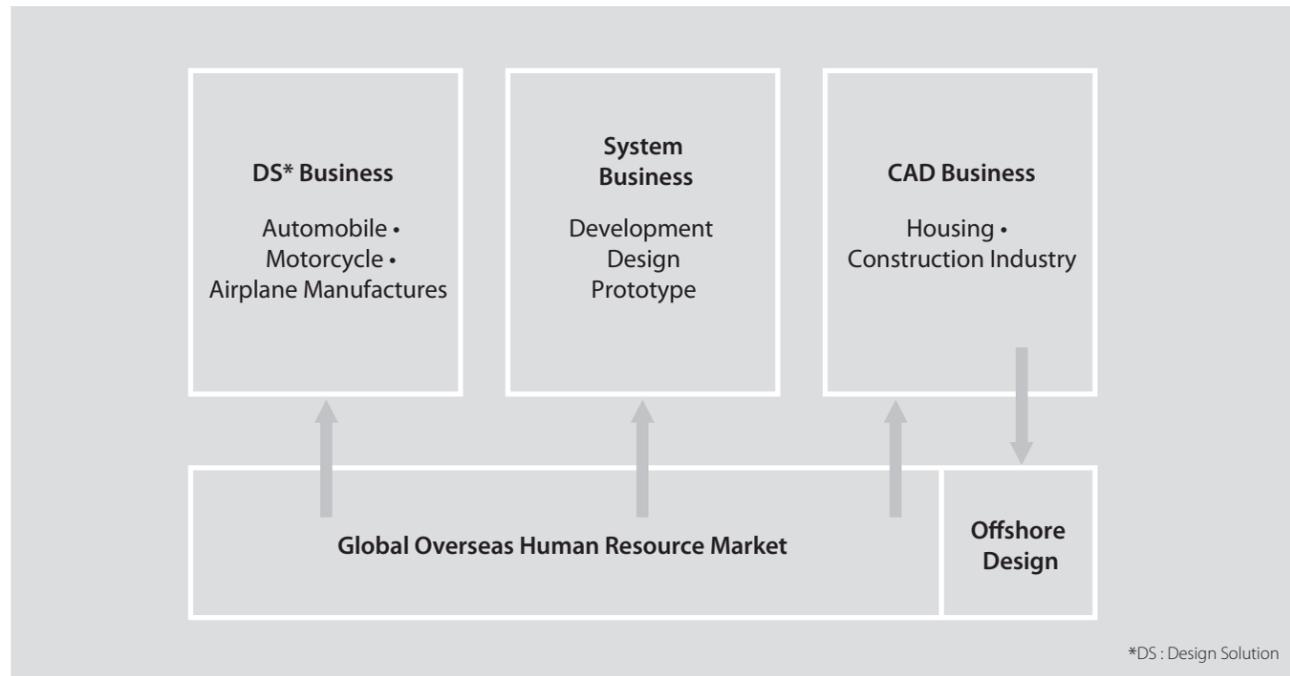
Business Process Outsourcing (BPO) Services

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

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

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

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



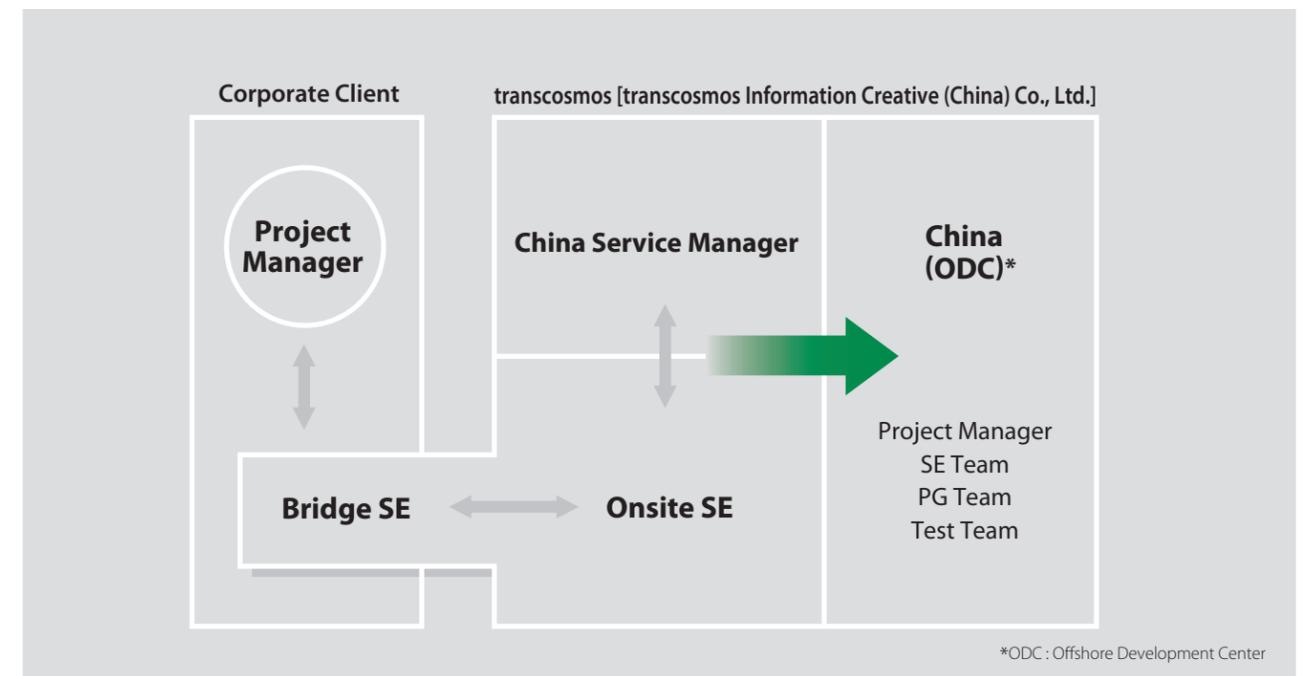
Engineering Solutions (ES) Business

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

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

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

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



Overseas Business

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

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

Offshore System Development Services in China

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

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

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

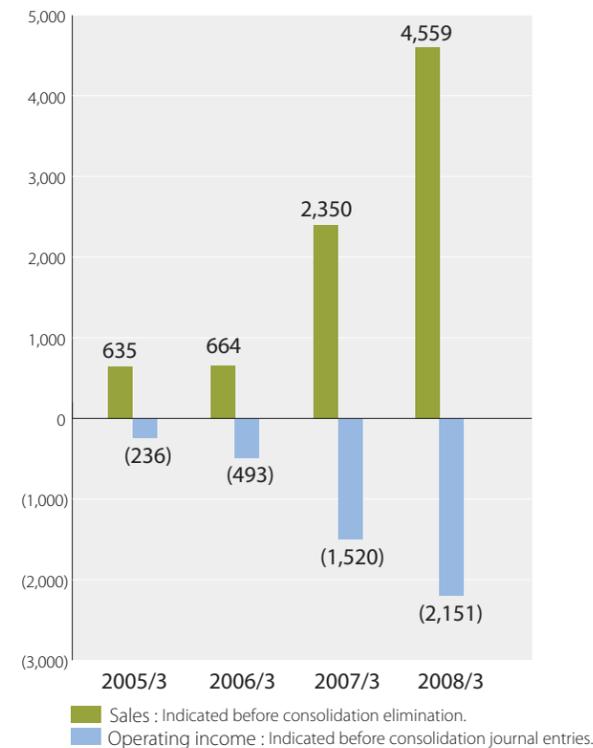
At **transcosmos Information Creative (China) Co., Ltd.**, which is a wholly owned subsidiary of **transcosmos** and a base of offshore development, we have streamlined the latest infrastructure with security measures that comply with the ISO2700 (BS7799). We also acquired Level 5—the highest level—of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

BtoC Media Services

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

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

Sales and Operating Income for the BtoC Affiliates
(Millions of yen)



Principal Affiliates

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

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

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

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

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

Principal Affiliates



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



<http://ask.jp>



<http://jp.shockwave.com>



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



Review of Operations

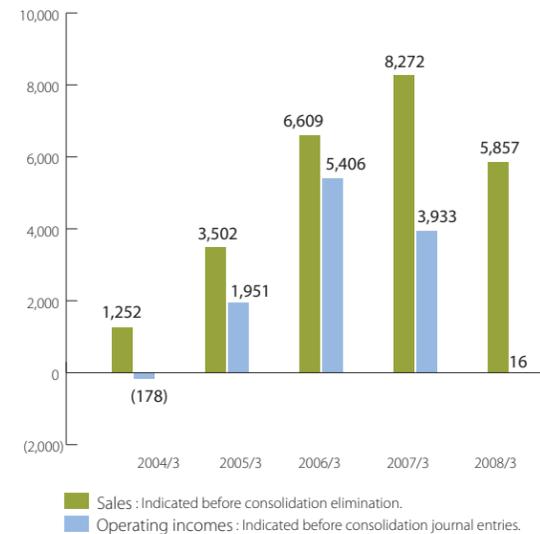
Corporate Venture Capital Business

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

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

Sales and Operating Income for the Past Five Years

(Millions of yen)



Network

Offices

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3-25-18 Shibuya, Shibuya-ku, Tokyo 150-8530 Japan
Tel: +81-3-4363-1111 Fax: +81-3-4363-0111

Offices

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Umeshin Daiichi Seimei Bldg., 2-3-5 Sonezaki, Kita-ku, Osaka, 530-0057 Japan
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Nagoya Office

5F NBF Nagoya Hirokoji Bldg., 2-3-6 Sakae, Naka-ku, Nagoya, 460-0008 Japan
Tel: +81-52-223-1238 Fax: +81-52-223-1239

Wakayama Office

Wakayama Nisseki Kaikan Bldg., 2-1-22 Fukiage, Wakayama, 640-8137 Japan
Tel: +81-73-432-1831 Fax: +81-73-432-1832

Fukuoka Office

#113 Hakata-eki Higashi Bldg., 1-13-9 Hakata-eki Higashi, Hakata-ku, Fukuoka, 812-0013 Japan
Tel: +81-92-473-1267 Fax: +81-92-475-1625

transcosmos group

Japan

Marketing Chain Management Service

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

Call Center Operation Services

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

E-Business sites

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

Consulting / System Integration / System Engineering Services

Skylight Consulting Inc.
APPLIED TECHNOLOGY CO.,LTD.

USA

Service Development Company

Transcosmos Investments & Business Development Inc.

Service Company

transcosmos America Inc.

Strategically Associated Companies

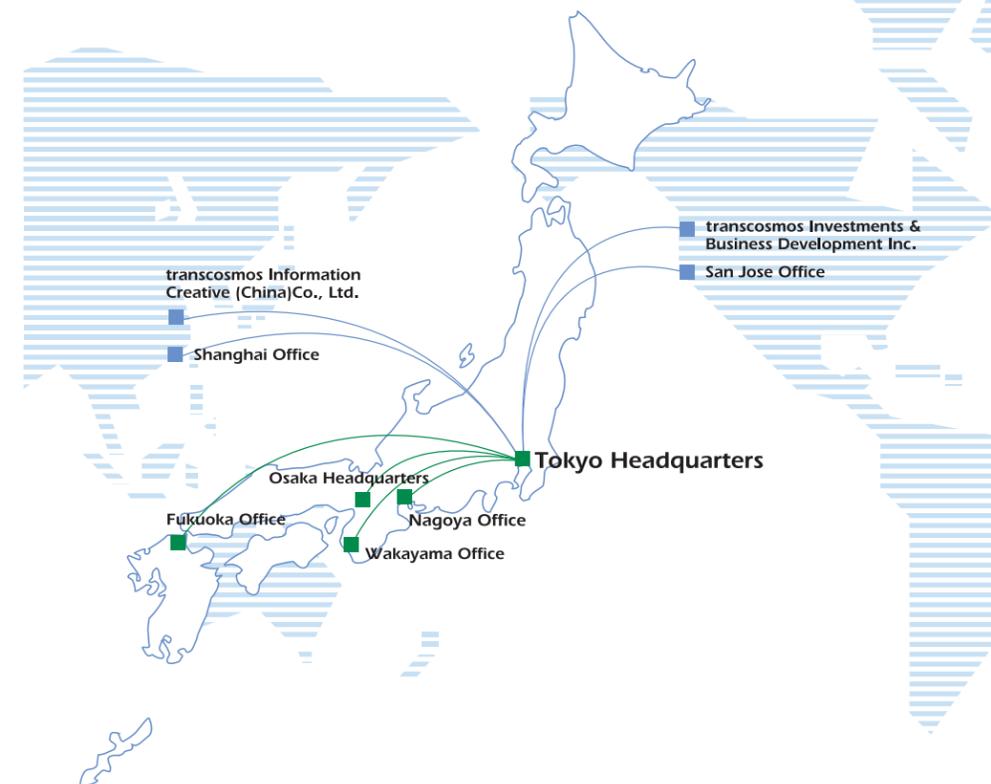
DoubleClick Inc.
NetRatings, Inc.
Donnerwood Media, Inc.
Pheedo, Inc.
Audioblog, Inc.
Multiply, Inc.
Become, Inc.Optimost

China

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

South Korea

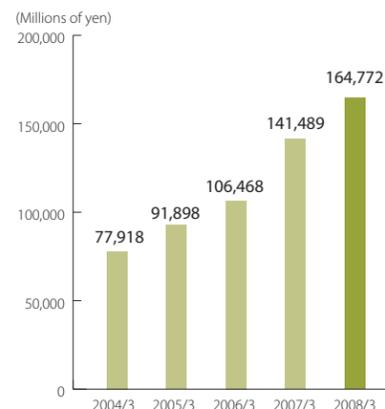
transcosmos MCM Korea Co., Ltd.
CIC Korea, Inc.
Inwoo Tech Inc.
9 FRUITSMEDIA, Inc.
S.M.Online Co., Ltd.
Tong Yang Online Co.,Ltd.
APPLIED TECHNOLOGY KOREA INC



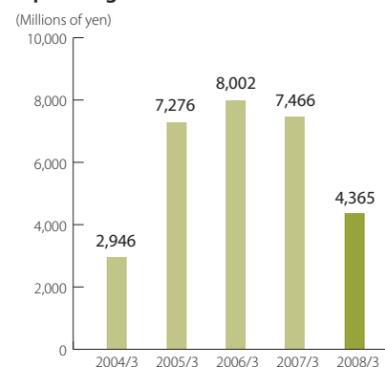
Financial Statements

Management's Discussion and Analysis

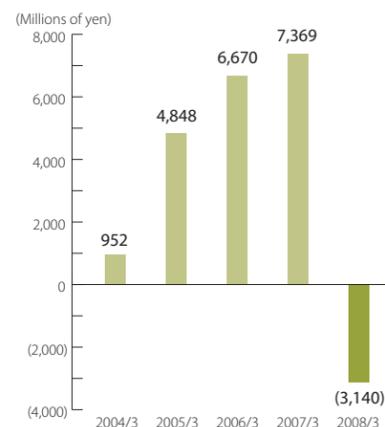
Net Sales



Operating Income



Net Income



Operating Results

Net Sales, Operating Income and Net Income

During the fiscal year ended 31 March 2008, the Japanese economy experienced a moderate but consistent recovery, but the rapid increase in oil prices, substantial downturns in stock markets and the continued appreciation of the yen caused by the rapid increase in oil prices, the subprime mortgage crisis in the United States, and other factors have caused rising uncertainty concerning personal consumption and future economic prospects. Overseas, although the United States is showing signs of economic slowdown, Russia, China, India, and a number of Middle Eastern countries are growing rapidly. The corporate sector is experiencing a moderate improvement in corporate income, and although there are some signs of constraints, capital investment continues to expand. There are also indications that the scope of outsourcing use is growing as a result of expectations concerning cost reductions and improvements in operations.

Under these economic conditions, net sales and operating income in the IT services for companies (BtoB) sector were up from the previous fiscal year. **transcosmos** has also been working hard to position media services for consumers (BtoC) as a core group business for the medium term. The company has implemented a process of selection and concentration of business resources with respect to unprofitable group companies with the intention of improving income. To enhance the added value provided to client companies, **transcosmos** engages in the corporate venture capital business including strategic investment, monitoring the latest developments in technology and services in Japan and overseas and incorporating them into its own list of services.

As a result of the above, for the fiscal year under review, consolidated net sales were ¥164,772 million, an increase of ¥23,282 million or 16.5% from the previous fiscal year. Consolidated operating income was ¥4,365 million, down ¥3,101 million or 41.5%. This decline was primarily the result of an increase in impairment losses from investment in non-listed companies in the CVC business. A consolidated net loss of ¥3,140 million was posted (compared to consolidated net income of ¥7,369 million the previous fiscal year). This loss was the result of sales of shares not proceeding as planned because of the downturn in stock markets resulting in a substantial decline in gain on sale/disposal of investments in securities and gain on sale/disposal of investments in affiliates from the prior fiscal year, the recording of losses on impairment of fixed assets from the lump-sum amortization of goodwill for some affiliates, and the writing down of deferred tax assets in conjunction with revisions to the Practical Guidelines on Tax Effect Accounting in Consolidated Financial Statements, resulting in an increase in income taxes deferred of ¥2,222 million.

By region, in Japan, the IT services performed strongly and net sales jumped ¥24,804 million or 20.1% from the previous fiscal year to ¥148,424 million. Operating income was ¥10,679, down ¥261 million or 2.4%. In the United States, net sales fell ¥2,739 million or 53.5% to ¥2,380 million, and an operating loss of 911 million yen was posted (compared to operating income of ¥2,177 million the

previous fiscal year). In Asian countries other than Japan, net sales increased ¥1,217 million or 9.5% to ¥13,968 million, while operating income decreased ¥829 million or 56.8% to ¥629 million.

As a result of the above developments, overseas net sales as a percentage of total sales during the year under review fell from 12.9% to 10.4% because of a decrease in net sales in the corporate venture capital business in the United States and other factors.

Segment Information

IT Services

The IT services remained robust from the prior fiscal year with net sales up ¥25,698 million or 19.3% from the previous fiscal year to ¥158,915 million, primarily as a result of strong orders for Marketing Chain Management Services, a core service sector. Operating income was ¥10,303 million, down ¥161 million or 1.5% from the previous fiscal year.

Corporate Venture Capital Business

The Corporate Venture Capital Business posted net sales of ¥5,857 million, down ¥2,416 million or 29.2% from the previous fiscal year as a result of a decrease in sales of investment securities. Operating income was ¥16 million, down ¥3,918 million or 99.6% because of an increase in impairment losses on investing in non-publicly traded companies.

Financial Position

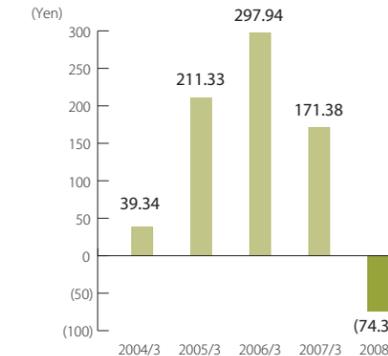
Assets, Liabilities and Net Assets

Total assets were up 0.7% from the end of the previous fiscal year to ¥97,099 million. Current assets decreased 4.9% to ¥58,756 million. The decrease was mainly due to a decline in cash and time deposits in conjunction with new investment in affiliates and payment of income taxes. Fixed assets rose 10.9% to ¥38,343 million because of increases in tangible and intangible fixed assets resulting from capital investment in call centers and other new facilities by **transcosmos** and its subsidiaries.

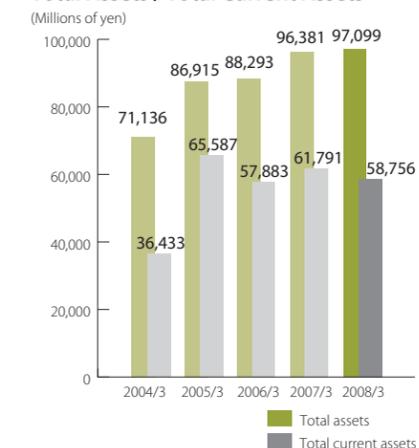
Total liabilities increased 26.9% from the end of the previous fiscal year to ¥47,338 million. Current liabilities rose 32.5% to ¥32,148, primarily as a result of the conversion of non-current liabilities to current liabilities in conjunction with corporate bonds becoming due in less than one year. Non-current liabilities were up 16.4% to ¥15,190 million. The increase was largely due to higher long-term debt.

Total net assets decreased 15.8% from the end of the previous fiscal year to ¥49,761 million. The main factors behind the decline were a decrease in retained earnings from the posting of a net loss for the year under review and additional acquisition of treasury stocks. The equity ratio fell from 54.5% to 44.2%.

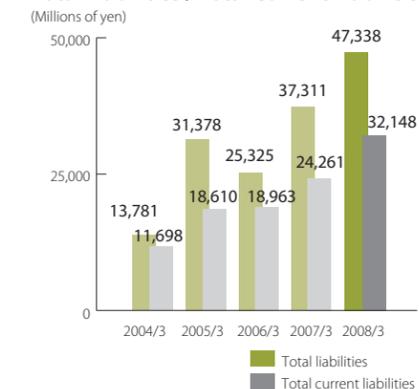
Net Income Per Share



Total Assets / Total Current Assets

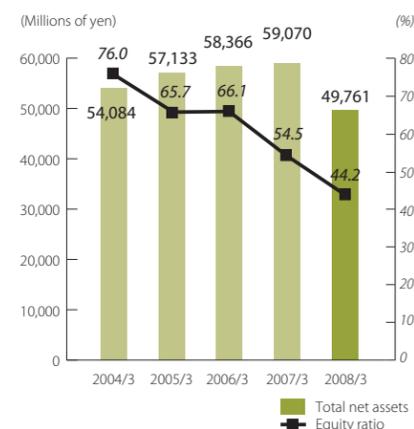


Total Liabilities / Total Current Liabilities

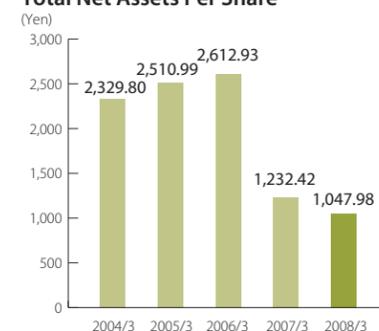


Management's Discussion and Analysis

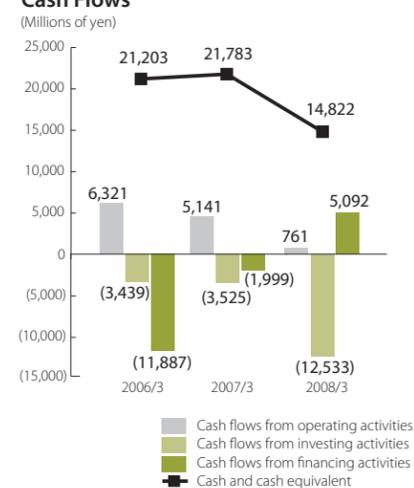
Total Net Assets / Equity Ratio



Total Net Assets Per Share



Cash Flows



Cash Flows

Net cash flows from operating activities were ¥761 million, a decrease of ¥4,380 million from the previous fiscal year. The decline was primarily the result of a substantial increase in income taxes paid by **transcosmos**.

Net cash used in investing activities was ¥12,533 million, an increase of ¥9,008 million from the previous fiscal year. The increase was mainly the result of a large decrease in proceeds from the sale of the shares of affiliates.

Net cash flows from financing activities were ¥5,092 million (compared to net cash used in financing activities of ¥1,999 million in the previous fiscal year). This result was mainly from an increase in income from short-term bank loans and a decrease in outflows for the acquisition of treasury stocks.

As a result of the above, the balance of cash and cash equivalents including foreign currency translation adjustments at the end of the fiscal year under review were down ¥6,961 million from the end of the previous fiscal year to ¥14,882 million.

Five-year Summary

CONSOLIDATED STATEMENTS OF INCOME

For the years ended 31 March	Millions of yen (except per share data)				Thousands of U.S. dollars*1 (except per share data)	
	2008	2007	2006	2005	2004	2008
Net sales	¥164,772	¥141,489	¥106,468	¥91,898	¥77,918	\$1,644,428
Gross profit	33,592	34,079	28,261	23,600	18,866	335,249
Operating income	4,365	7,466	8,002	7,276	2,946	43,563
Net income (loss)	(3,140)	7,369	6,670	4,848	952	(31,335)
Net income (loss) per share	(74.4)	171.4	297.9	211.3	39.3	(0.74)

CONSOLIDATED BALANCE SHEETS

At 31 March	Millions of yen				Thousands of U.S. dollars	
	2008	2007	2006	2005	2004	2008
Total current assets	¥58,756	¥61,791	¥57,883	¥65,587	¥36,433	\$586,386
Total current liabilities	32,148	24,261	18,963	18,610	11,698	320,840
Total non-current liabilities	15,190	13,050	6,362	12,768	2,083	151,595
Total net assets*2	49,761	59,070	58,366	57,133	54,084	496,616

NON-CONSOLIDATED STATEMENTS OF INCOME

For the years ended 31 March	Millions of yen (except per share data)				Thousands of U.S. dollars (except per share data)	
	2008	2007	2006	2005	2004	2008
Net sales	¥133,021	¥109,822	¥95,252	¥79,798	¥65,360	\$1,327,550
Gross profit	27,298	23,914	24,448	18,894	14,662	272,434
Operating income	8,050	5,428	8,693	6,254	4,268	80,343
Net income	3,318	7,503	4,707	3,126	3,360	33,118
Basic net income per share	78.6	174.5	210.2	136.2	140.6	0.78
Cash dividends per share	40.0	40.0	70.0	40.0	30.0	0.40
Weighted average number of shares (in thousands)	42,218	43,001	22,376	22,926	23,805	

NON-CONSOLIDATED BALANCE SHEETS

At 31 March	Millions of yen				Thousands of U.S. dollars	
	2008	2007	2006	2005	2004	2008
Total current assets	¥31,435	¥35,161	¥34,039	¥46,563	¥19,955	\$313,722
Total current liabilities	24,467	17,835	15,130	14,264	9,637	244,186
Total non-current liabilities	14,635	12,182	5,205	12,046	2,156	146,056
Total net assets*2	51,758	53,898	56,919	60,341	57,552	516,540

Notes: (*1) U.S. dollars amounts are translated from yen, solely for convenience of the reader, at the rate of ¥100.20 = U.S.\$1.

(*2) Effective from the year ended March 2007, the Company adopted a new accounting standard, "Accounting Standard for Presentation of Net Assets in the Balance Sheet" (Statement No.5 issued by the Accounting Standards Board of Japan), and the implementation guidance for the accounting standard for presentation of net assets in the balance sheet (the Financial Accounting Standard Implementation Guidance No.8 issued by the Accounting Standards Board of Japan).

Consolidated Balance Sheets

At 31 March 2008 and 2007	Millions of yen		Thousands of U.S. dollars
	2008	2007	2008
ASSETS			
Current assets:			
Cash and time deposits	¥ 15,413	¥ 21,325	\$ 153,823
Securities	20	704	197
Investments in securities for operating purposes	10,257	12,179	102,367
Notes and accounts receivable :			
Third parties	26,460	22,871	264,071
Unconsolidated subsidiaries and affiliates	27	30	273
	26,487	22,901	264,344
Less: allowance for doubtful accounts	(277)	(293)	(2,768)
	26,210	22,608	261,576
Work and software in progress and merchandise	1,266	1,366	12,637
Deferred tax assets	1,692	188	16,891
Other current assets	3,898	3,421	38,895
Total current assets	58,756	61,791	586,386
Investments and advances:			
Investments in securities	1,788	1,035	17,846
Investments in and advances to unconsolidated subsidiaries and affiliates	6,491	5,201	64,777
Investments in other securities of unconsolidated subsidiaries and affiliates	358	398	3,575
Investments in affiliates	394	282	3,930
Long-term loans receivable	623	802	6,215
Other investments	1,179	1,680	11,771
Less: allowance for doubtful accounts	(284)	(394)	(2,836)
Total investments and advances	10,549	9,004	105,278
Property and equipment, at cost less accumulated depreciation	13,109	11,351	130,827
Leasehold deposits	5,084	4,470	50,738
Software	2,897	3,168	28,912
Intangibles and other	2,072	351	20,680
Deferred tax assets	276	2,590	2,759
Prepaid pension costs	1,964	1,519	19,599
Goodwill	2,392	2,137	23,872
Total assets	¥ 97,099	¥ 96,381	\$ 969,051

U.S. dollar amounts are translated from yen, solely for convenience of the reader, at the rate of ¥100.20 = U.S. \$1.

At 31 March 2008 and 2007	Millions of yen		Thousands of U.S. dollars
	2008	2007	2008
LIABILITIES AND NET ASSETS			
Current liabilities:			
Short-term debt	¥ 1,870	¥ 1,149	\$ 18,665
Current portion of long-term debt	43	91	434
Current portion of bonds	5,312	-	53,014
Accounts payable:			
Third parties	10,846	9,285	108,246
Unconsolidated subsidiaries and affiliates	110	121	1,096
	10,956	9,406	109,342
Income taxes payable	2,675	4,069	26,700
Accrued expenses	5,000	-	49,896
Accrued bonuses for employees	3,147	2,799	31,408
Advances received from customers	860	545	8,580
Other current liabilities	2,285	6,202	22,801
Total current liabilities	32,148	24,261	320,840
Non-current liabilities:			
Bonds	36	5,414	359
Long-term debt	14,690	7,282	146,602
Deferred tax liabilities	34	70	336
Security deposits received	11	11	112
Reserve for retirement benefits	144	254	1,439
Other non-current liabilities	275	19	2,747
Total non-current liabilities	15,190	13,050	151,595
Commitments and contingent liabilities			
Net assets :			
Stockholders' equity:			
Common stock :			
Authorized: 150,000,000 shares at 31 March 2008 and 2007			
Issued: 48,794,046 shares at 31 March 2008 and 2007			
Capital surplus	29,066	29,066	290,080
Retained earnings	23,058	23,081	230,115
Treasury stock, at cost:			
7,802,130 and 6,157,473 shares at 31 March 2008 and 2007, respectively	(17,835)	(15,815)	(177,988)
Total stockholders' equity	37,939	44,908	378,633
Valuation and translation adjustments:			
Unrealized gains on marketable securities and investments in securities	311	2,303	3,099
Net deferred hedge losses	(7)	-	(71)
Foreign currency translation adjustments	4,716	5,335	47,070
Total valuation and translation adjustments	5,020	7,638	50,098
Minority interests	6,802	6,524	67,885
Total net assets	49,761	59,070	496,616
Total liabilities and net assets	¥ 97,099	¥ 96,381	\$ 969,051

U.S. dollar amounts are translated from yen, solely for convenience of the reader, at the rate of ¥100.20 = U.S. \$1.

Consolidated Statements of Income

For the years ended 31 March 2008, 2007 and 2006	Millions of yen			Thousands of U.S. dollars
	2008	2007	2006	2008
Net sales	¥ 164,772	¥ 141,489	¥ 106,468	\$ 1,644,428
Cost of sales	131,180	107,410	78,207	1,309,179
Gross profit	33,592	34,079	28,261	335,249
Selling, general and administrative expenses	29,227	26,613	20,259	291,686
Operating income	4,365	7,466	8,002	43,563
Non-operating income (expenses):				
Interest income	183	125	59	1,823
Interest expense	(281)	(174)	(26)	(2,806)
Dividend income	6	5	3	62
Gain on sale/disposal of investments in securities	260	1,259	3,155	2,597
Loss on sale/disposal of investments in securities	(0)	(187)	(1)	(4)
Loss on disposal of property and equipment	(523)	(847)	(185)	(5,224)
Loss on impairment of fixed assets	(1,393)	(4,056)	(970)	(13,903)
Gain on sale/disposal of investments in affiliates	458	9,708	1,640	4,570
Reversal of allowance for doubtful accounts	79	28	4	786
Write-downs of investments in affiliates	(506)	(560)	(102)	(5,052)
Equity in loss of unconsolidated subsidiaries and affiliates	(658)	(661)	(1,249)	(6,570)
Gain on subsidy accounts	93	180	50	929
Development grant	-	172	-	-
A picture business investment loss	(123)	-	-	(1,223)
Office move eviction compensation money	219	-	-	2,185
Gain on change in retirement benefit plan	-	773	-	-
Foreign exchange losses	-	-	(154)	-
Write-downs of marketable securities and investments in securities	(133)	(257)	-	(1,324)
Gain on issuance of shares to investees	487	385	581	4,857
Loss on issuance of shares to investees	(5)	(2)	(475)	(48)
Write-downs of golf club memberships	-	-	(11)	-
Amortization of goodwill	-	-	(58)	-
Other income	394	751	670	3,941
Other expenses	(678)	(497)	(428)	(6,759)
Total non-operating income (expenses)	(2,121)	6,145	2,503	(21,163)
Income before income taxes and minority interests	2,244	13,611	10,505	22,400
Income taxes:				
Current	3,791	4,117	108	37,836
Deferred	2,104	2,157	3,585	21,005
	(3,651)	7,337	6,812	(36,441)
Minority interests in net income (loss) of consolidated subsidiaries	511	32	(142)	5,106
Net income (loss)	¥ (3,140)	¥ 7,369	¥ 6,670	\$ (31,335)

U.S. dollar amounts are translated from yen, solely for convenience of the reader, at the rate of ¥100.20 = U.S. \$1.

Consolidated Statements of Changes in Net Assets

For the years ended 31 March 2008 and 2007	Number of shares of common stock in issue	Millions of yen								
		Common stock	Capital surplus	Retained earnings	Treasury stock, at cost	Unrealized gains on marketable securities and investments in securities	Net deferred hedge losses	Foreign currency translation adjustments	Minority interests	Total net assets
Balance at 31 March 2006	24,397,023	¥ 29,066	¥ 23,218	¥ 2,768	¥ -	¥ -	¥ -	¥ -	¥ -	¥ 55,052
Reclassified balance as of 31 March 2006	-	-	-	(10,291)	8,633	-	-	4,972	4,602	7,916
Implementation of stock split (two-for-one)	24,397,023	-	-	-	-	-	-	-	-	-
Directors' bonuses	-	-	-	(3)	-	-	-	-	-	(3)
Cash dividends	-	-	-	(1,564)	-	-	-	-	-	(1,564)
Increase in retained earnings due to increase in number of consolidated subsidiaries	-	-	-	7	-	-	-	-	-	7
Decrease in retained earnings due to increase in number of consolidated subsidiaries	-	-	-	(1)	-	-	-	-	-	(1)
Net income for the year ended 31 March 2007	-	-	-	7,369	-	-	-	-	-	7,369
Acquisition of treasury stock	-	-	-	(5,794)	-	-	-	-	-	(5,794)
Disposition of treasury stock	-	-	(137)	-	270	-	-	-	-	133
Other changes	-	-	-	-	(6,330)	-	363	1,922	-	(4,045)
Balance at 31 March 2007	48,794,046	¥ 29,066	¥ 23,081	¥ 8,576	¥ (15,815)	¥ 2,303	¥ -	¥ 5,335	¥ 6,524	¥ 59,070
Cash dividends	-	-	-	(1,705)	-	-	-	-	-	(1,705)
Net loss for the year ended 31 March 2008	-	-	-	(3,140)	-	-	-	-	-	(3,140)
Decrease with the merger	-	-	-	(57)	-	-	-	-	-	(57)
Decrease with decrease of a share method application company	-	-	-	(9)	-	-	-	-	-	(9)
Employee encouragement and a public welfare fund	-	-	-	(15)	-	-	-	-	-	(15)
Acquisition of treasury stock	-	-	-	(2,068)	-	-	-	-	-	(2,068)
Disposition of treasury stock	-	-	(23)	-	48	-	-	-	-	25
Other changes	-	-	-	-	(1,992)	(7)	(619)	278	-	(2,340)
Balance at 31 March 2008	48,794,046	¥ 29,066	¥ 23,058	¥ 3,650	¥ (17,835)	¥ 311	¥ (7)	¥ 4,716	¥ 6,802	¥ 49,761
		Thousands of U.S. dollars								
Balance at 31 March 2006		\$ 290,080	\$ 231,714	\$ 27,626	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 549,420
Reclassified balance as of 31 March 2006		-	-	-	(102,702)	86,157	-	49,617	45,931	79,003
Directors' bonuses		-	-	(30)	-	-	-	-	-	(30)
Cash dividends		-	-	(15,604)	-	-	-	-	-	(15,604)
Increase in retained earnings due to increase in number of consolidated subsidiaries		-	-	66	-	-	-	-	-	66
Decrease in retained earnings due to increase in number of consolidated subsidiaries		-	-	(12)	-	-	-	-	-	(12)
Net income for the year ended 31 March 2007		-	-	73,547	-	-	-	-	-	73,547
Acquisition of treasury stock		-	-	(57,833)	-	-	-	-	-	(57,833)
Disposition of treasury stock		-	(1,367)	-	2,697	-	-	-	-	1,330
Other changes		-	-	-	-	(63,170)	-	3,629	19,179	(40,362)
Balance at 31 March 2007		\$ 290,080	\$ 230,347	\$ 85,593	\$ (157,838)	\$ 22,987	\$ -	\$ 53,246	\$ 65,110	\$ 589,525
Cash dividends		-	-	(17,021)	-	-	-	-	-	(17,021)
Net loss for the year ended 31 March 2008		-	-	(31,335)	-	-	-	-	-	(31,335)
Decrease with the merger		-	-	(566)	-	-	-	-	-	(566)
Decrease with decrease of a share method application company		-	-	(90)	-	-	-	-	-	(90)
Employee encouragement and a public welfare fund		-	-	(155)	-	-	-	-	-	(155)
Acquisition of treasury stock		-	-	(20,630)	-	-	-	-	-	(20,630)
Disposition of treasury stock		-	(232)	-	480	-	-	-	-	248
Other changes		-	-	-	(19,888)	(71)	(6,176)	2,775	-	(23,360)
Balance at 31 March 2008		\$ 290,080	\$ 230,115	\$ 36,426	\$ (177,988)	\$ 3,099	\$ (71)	\$ 47,070	\$ 67,885	\$ 496,616

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Consolidated Statements of Cash Flows

For the years ended 31 March 2008, 2007 and 2006	Millions of yen		Thousands of U.S. dollars	
	2008	2007	2006	2008
Cash flows from operating activities:				
Income before income taxes and minority interests	¥ 2,244	¥ 13,611	¥ 10,505	\$ 22,400
Adjustments to reconcile income before income taxes and minority interests to net cash provided by operating activities:				
Depreciation	2,551	2,083	978	25,455
Loss on impairment of fixed assets	1,393	4,056	970	13,903
Amortization of goodwill	563	168	(26)	5,615
Amortization of intangible assets	1,008	1,217	553	10,063
Increase in accrued bonuses for employees	316	286	189	3,153
Reversal of allowance for doubtful accounts	(144)	34	17	(1,437)
(Decrease)/Increase in reserve for retirement benefits	(546)	(1,011)	28	(5,450)
Accrued interest and dividend income	(189)	(130)	(63)	(1,885)
Accrued interest expense	281	174	26	2,806
Foreign exchange losses	(33)	2	154	(332)
Equity in loss of unconsolidated subsidiaries and affiliates	658	661	1,249	6,570
Gain on sale/disposal of investments in securities, net	(260)	(1,072)	(3,155)	(2,593)
Gain on sale of investments in unconsolidated subsidiaries and affiliates, net	(458)	(9,708)	(1,621)	(4,570)
Write-downs of investments in affiliates	506	560	102	5,052
Gain on dilution of equity interest	(482)	(383)	(105)	(4,809)
Write-downs of golf club memberships	-	-	11	-
Loss on disposal of property and equipment	523	847	185	5,224
Increase in notes and accounts receivable	(3,167)	(5,336)	(324)	(31,608)
Increase in investments in securities for operating purposes	(3,912)	(2,699)	(3,697)	(39,047)
Write-downs of investments in securities for operating purposes	2,556	894	8	25,508
(Increase) /Decrease in work and software in progress and merchandise	169	(505)	18	1,688
Increase/(Decrease) in accounts payable	1,300	945	(149)	12,976
Other, net	1,385	809	1,012	13,816
Subtotal	6,262	5,503	6,865	62,498
Interest and dividends received	179	185	50	1,790
Interest paid	(292)	(177)	(51)	(2,911)
Income taxes refunded	-	-	6	-
Income taxes paid	(5,388)	(370)	(549)	(53,784)
Net cash provided by operating activities	¥ 761	¥ 5,141	¥ 6,321	\$ 7,593

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For the years ended 31 March 2008, 2007 and 2006	Millions of yen		Thousands of U.S. dollars	
	2008	2007	2006	2008
Cash flows from investing activities:				
Deposit of long-term time deposits	¥ (486)	¥ (153)	¥ (15)	\$ (4,854)
Withdrawal of long-term time deposits	116	959	-	1,157
Purchases of property and equipment	(4,764)	(4,106)	(3,918)	(47,547)
Purchases of intangibles	(3,151)	(2,529)	(928)	(31,443)
Purchases of investments in securities	(806)	(233)	(175)	(8,043)
Proceeds from sale of investments in securities	327	1,962	3,302	3,260
Proceeds from repayment of investments in securities	-	-	500	-
Purchases of investments in affiliates	(3,317)	(5,516)	(4,209)	(33,103)
Proceeds from sale of investments in affiliates	786	10,491	4,231	7,841
Purchases of investments in subsidiaries resulting in change in scope of consolidation	(892)	(924)	(1,782)	(8,906)
Proceeds from purchases of investments in subsidiaries resulting in change in scope of consolidation	83	-	-	825
Purchases of other investments and guarantee deposits	(128)	(4,677)	(1,070)	(1,269)
Proceeds from sale of other investments and guarantee deposits	(301)	1,201	625	(2,999)
Net cash used in investing activities	(12,533)	(3,525)	(3,439)	(125,081)
Cash flows from financing activities:				
Proceeds from short-term bank loans	6,548	405	15	65,349
Repayment of short-term bank loans	(5,874)	(448)	(512)	(58,623)
Repayment of long-term bank loans	(126)	(2,225)	(460)	(1,258)
Proceeds from long-term bank loans	7,500	7,000	-	74,850
Repurchases of treasury stock	(2,067)	(5,795)	(10,121)	(20,630)
Proceeds from sale of treasury stock	25	133	212	249
Proceeds from stock issuance to minority interests	868	510	168	8,664
Repayment of bonds	(66)	-	(180)	(659)
Cash dividends paid	(1,705)	(1,564)	(910)	(17,021)
Dividends paid to minority interests	(11)	(15)	(99)	(107)
Net cash (used in) provided by financing activities	5,092	(1,999)	(11,887)	50,814
Effect of exchange rate changes on cash and cash equivalents	(281)	8	376	(2,796)
Net (decrease)/ increase in cash and cash equivalents	(6,961)	(375)	(8,629)	(69,470)
Cash and cash equivalents at beginning of year	21,783	21,203	29,358	217,391
Increase due to increase in consolidated subsidiaries	-	955	474	-
Cash and cash equivalents at end of year	¥ 14,822	¥ 21,783	¥ 21,203	\$ 147,921

Non-Consolidated Balance Sheets

At 31 March 2008 and 2007	Millions of yen		Thousands of U.S. dollars
	2008	2007	2008
ASSETS			
Current assets:			
Cash and time deposits	¥ 3,842	¥ 8,416	\$ 38,343
Investments in securities for operating purposes	3,027	7,102	30,210
Notes and accounts receivable:			
Third parties	20,517	17,477	204,760
Subsidiaries and affiliates	176	165	1,756
	20,693	17,642	206,516
Less: allowance for doubtful accounts	(47)	(84)	(468)
	20,646	17,558	206,048
Short-term loans receivable from subsidiaries	558	151	5,564
Work and software in progress and merchandise	138	128	1,379
Merchandise	1	1	14
Prepaid expenses	688	627	6,870
Deferred tax assets	1,577	154	15,735
Other current assets	958	1,024	9,559
Total current assets	31,435	35,161	313,722
Investments and Advances:			
Investments in securities	1,453	474	14,503
Investments in and advances to subsidiaries and affiliates	38,197	32,538	381,212
Investments in other securities of subsidiaries and affiliates	1,099	1,456	10,968
Long-term loans receivable from subsidiaries	10,419	6,685	103,978
Other investments	174	232	1,737
Less: allowance for doubtful accounts	(4,016)	(3,522)	(40,078)
Total investments and advances	47,326	37,863	472,320
Property and equipment, at cost, less accumulated depreciation	5,015	3,756	50,048
Leasehold deposits	3,030	2,734	30,234
Deferred charges, intangibles and other	1,946	2,515	19,424
Other non-current assets to subsidiaries and affiliates	144	144	1,435
Deferred tax assets	-	223	-
Prepaid pension costs	1,964	1,519	19,599
Total assets	¥ 90,860	¥ 83,915	\$ 906,782

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At 31 March 2008 and 2007	Millions of yen		Thousands of U.S. dollars
	2008	2007	2008
LIABILITIES AND NET ASSETS			
Current liabilities:			
Current portion of bonds	¥ 5,171	¥ -	\$ 51,607
Accounts payable:			
Third parties	7,431	6,003	74,162
Subsidiaries and affiliates	1,206	1,000	12,038
	8,637	7,003	86,200
Income taxes payable	2,303	3,652	22,984
Accrued expenses	3,692	2,955	36,841
Accrued bonuses for employees	2,843	2,568	28,376
Other current liabilities	1,821	1,657	18,178
Total current liabilities	24,467	17,835	244,186
Non-Current Liabilities:			
Bonds	-	5,171	-
Long-term debt	14,500	7,000	144,710
Other non-current liabilities	135	11	1,346
Total non-current liabilities	14,635	12,182	146,056
Total liabilities	39,102	30,017	390,242
Net assets:			
Stockholders' Equity			
Common stock:			
Authorized 150,000,000 shares at 31 March 2008 and 2007			
Issued 48,794,046 shares at 31 March 2008 and 2007	29,066	29,066	290,080
Other capital surplus	23,058	23,081	230,115
Retained earnings	17,120	15,506	170,854
Treasury stock, at cost, 7,802,130 and 6,157,473 shares at 31 March 2008 and 2007, respectively	(17,835)	(15,815)	(177,988)
Total stockholders' equity	51,409	51,838	513,061
Valuation and translation adjustments:			
Unrealized gains on marketable securities and investment in securities	349	2,060	3,479
Total net assets	51,758	53,898	516,540
Total liabilities and net assets	¥ 90,860	¥ 83,915	\$ 906,782

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Non-Consolidated Statements of Income

For the years ended 31 March 2008, 2007 and 2006	Millions of yen			Thousands of U.S. dollars
	2008	2007	2006	2008
Net sales	¥ 133,021	¥ 109,822	¥ 95,252	\$ 1,327,550
Cost of sales	105,723	85,908	70,804	1,055,116
Gross profit	27,298	23,914	24,448	272,434
Selling, general and administrative expenses	19,248	18,486	15,755	192,091
Operating income	8,050	5,428	8,693	80,343
Non-operating income (expenses):				
Interest income	124	79	30	1,242
Interest expense	(217)	(145)	(26)	(2,163)
Dividend income	41	60	99	412
Loss on disposal of merchandise	-	-	(25)	-
Loss on impairment of fixed assets	-	(898)	(870)	-
Loss on sale/disposal of property and equipment	(425)	(97)	(137)	(4,239)
Loss on sale/disposal of investment in securities	-	(187)	-	-
Write-down of marketable securities and investment in securities	(119)	(72)	-	(1,188)
Write-down of investment in affiliates	(662)	(817)	(727)	(6,605)
Write-down of golf club memberships	-	-	(11)	-
Gain on sale/disposal of investment in securities	5	331	149	53
Gain on sale/disposal of investment in affiliates	74	8,971	796	738
Gain on subsidy account	33	174	-	329
Gain on change in retirement benefits plan	-	773	-	-
Foreign exchange losses	-	-	(62)	-
Gain on dissolution of subsidiary	188	173	1	1,879
Limited liability partnership investment loss	(70)	-	-	(697)
Loss in investment in movie business fund	(123)	-	-	(1,223)
Compensation for eviction and relocation of offices	219	-	-	2,185
Other, income	198	357	485	1,958
Other, expenses	(720)	(994)	(198)	(7,199)
Total non-operating income (expenses)	(1,454)	7,708	(496)	(14,518)
Income before income taxes	6,596	13,136	8,197	65,825
Income taxes				
Current	3,206	3,472	37	31,992
Deferred	72	2,161	3,453	715
Net income	¥ 3,318	¥ 7,503	¥ 4,707	\$ 33,118
Per share:		Yen		U.S. dollars
Basic net income per share	¥ 78.60	¥ 174.48	¥ 210.2	\$ 0.78
Cash dividends	¥ 40.0	¥ 40.0	¥ 70.0	\$ 0.40
Weighted average number of shares (in thousands)	42,218	43,001	22,376	

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Non-Consolidated Statements of Changes in Net Assets

For the years ended 31 March 2008 and 2007	Number of shares of common stock in issue	Millions of yen							
		Common stock	Additional paid-in capital	Other capital surplus	Retained earnings	An earned surplus reserve	Treasury stock, at cost	Unrealized gains on marketable securities and investment in securities	Total
Balance at 31 March 2006	24,397,023	¥ 29,066	¥ 15,069	¥ 8,149	¥ 9,570	¥ -	¥ -	¥ -	¥ 61,854
Reclassified balance as of March 31, 2006	-	-	-	-	-	(10,291)	5,356	(4,935)	-
Implementation of stock split (two-for-one)	24,397,023	-	-	-	-	-	-	-	-
Cash dividends	-	-	-	(1,564)	-	-	-	(1,564)	-
Transfer from Additional paid-in capital to Other capital surplus	-	-	(15,069)	15,069	-	-	-	-	-
Directors' bonuses	-	-	-	(3)	-	-	-	(3)	-
Acquisition of treasury stock	-	-	-	-	-	(5,794)	-	(5,794)	-
Disposal of treasury stock	-	-	(137)	-	-	270	-	133	-
Net income for the year ended 31 March 2007	-	-	-	7,503	-	-	-	7,503	-
Other changes	-	-	-	-	-	-	(3,296)	(3,296)	-
Balance at 31 March 2007	48,794,046	¥ 29,066	¥ -	¥ 23,081	¥ 15,506	¥ -	¥ (15,815)	¥ 2,060	¥ 53,898
Cash dividends	-	-	-	(1,875)	171	-	-	(1,704)	-
Acquisition of treasury stock	-	-	-	-	-	(2,068)	-	(2,068)	-
Disposal of treasury stock	-	-	(23)	-	-	48	-	25	-
Net income for the year ended 31 March 2008	-	-	-	3,318	-	-	-	3,318	-
Other changes	-	-	-	-	-	-	(1,711)	(1,711)	-
Balance at 31 March 2008	48,794,046	¥ 29,066	¥ -	¥ 23,058	¥ 16,949	¥ 171	¥ (17,835)	¥ 349	¥ 51,758
		Thousands of U.S. dollars							
Balance at 31 March 2006		\$ 290,080	\$ 150,391	\$ 81,324	\$ 95,513	\$ -	\$ -	\$ -	\$ 617,308
Reclassified balance as of March 31, 2006	-	-	-	-	-	(102,702)	53,450	(49,252)	-
Cash dividends	-	-	-	(15,604)	-	-	-	(15,604)	-
Transfer from Additional paid-in capital to Other capital surplus	-	(150,391)	150,391	-	-	-	-	-	-
Directors' bonuses	-	-	-	(30)	-	-	-	(30)	-
Acquisition of treasury stock	-	-	-	-	-	(57,833)	-	(57,833)	-
Disposal of treasury stock	-	-	(1,368)	-	-	2,697	-	1,329	-
Net income for the year ended 31 March 2007	-	-	-	74,878	-	-	-	74,878	-
Other changes	-	-	-	-	-	-	(32,897)	(32,897)	-
Balance at 31 March 2007		\$ 290,080	\$ -	\$ 230,347	\$ 154,757	\$ -	\$ (157,838)	\$ 20,553	\$ 537,899
Cash dividends	-	-	-	(18,723)	1,702	-	-	(17,021)	-
Acquisition of treasury stock	-	-	-	-	-	(20,630)	-	(20,630)	-
Disposal of treasury stock	-	-	(232)	-	-	480	-	248	-
Net income for the year ended 31 March 2008	-	-	-	33,118	-	-	-	33,118	-
Other changes	-	-	-	-	-	-	(17,074)	(17,074)	-
Balance at 31 March 2008		\$ 290,080	\$ -	\$ 230,115	\$ 169,152	\$ 1,702	\$ (177,988)	\$ 3,479	\$ 516,540

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Investor Information

As of 1 July 2008

CORPORATE INFORMATION

Name	transcosmos inc.
Head Office	3-25-18, Shibuya, Shibuya-ku, Tokyo 150-8530 Japan
Incorporated	18 June 1985
Capital	¥29,065,968,631
Employees	11,883(group), 8,340(parent) (as of 31 March 2008)
Major Banks	Sumitomo Mitsui Banking Corporation Mizuho Corporate Bank, Ltd. The Bank of Tokyo-Mitsubishi UFJ, Ltd.

STOCK INFORMATION

Accounting Year-end	31 March
Month of General Stockholders' Meeting	June
Issued Common Stocks	48,794,046
Number of Stockholders	22,538 (as of 31 March 2008)
Stock Exchange Listing	Tokyo Stock Exchange
Auditing Corporation	Ernst & Young ShinNihon

OFFICERS

Founder & Group CEO	Koki Okuda
Chairman & CEO	Koji Funatsu
Executive Vice Chairman	Osamu Goto
President & COO	Masataka Okuda
Executive Vice President	Koichi Iwami Shojiro Takashima
Senior Managing Director	Masakatsu Moriyama Shinichi Nagakura Hiroyuki Mukai
Member, Board of Director	Taiki Yoshioka Kichiro Takao Yoko Kamiyama Takeshi Natsuno
Corporate Executive Officer	Kunio Shimofusa Masaaki Muta Hiroshi Kaizuka Masayuki Tada Nobuhiko Fujimoto Yoichi Kawano
Corporate Senior Officer	Masatoshi Kouno Hiroyuki Morita Kazuhiko Yamaki Hirofumi Inoue Yasuhiro Hayami Koji Okamoto Kazuhiro Shimizu Kimihide Okino Kazuhiro Umemura
Corporate Officer	Hiroyuki Uchimura Shinya Takatomi Keisuke Yoshida Kenshi Matsubara Teiji Mishima Masahito Nonomura Masaru Chiba Shunji Hidaka Yoshihiro Uematsu Yuichiro Kubo Yutaka Kojima Masato Ogino Hiroyuki Kohara Hitoshi Honda
Standing Auditor	Hideaki Ishioka
Auditor	Teruyuki Hiiro Kazushi Watanabe Toshiaki Nakamura

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