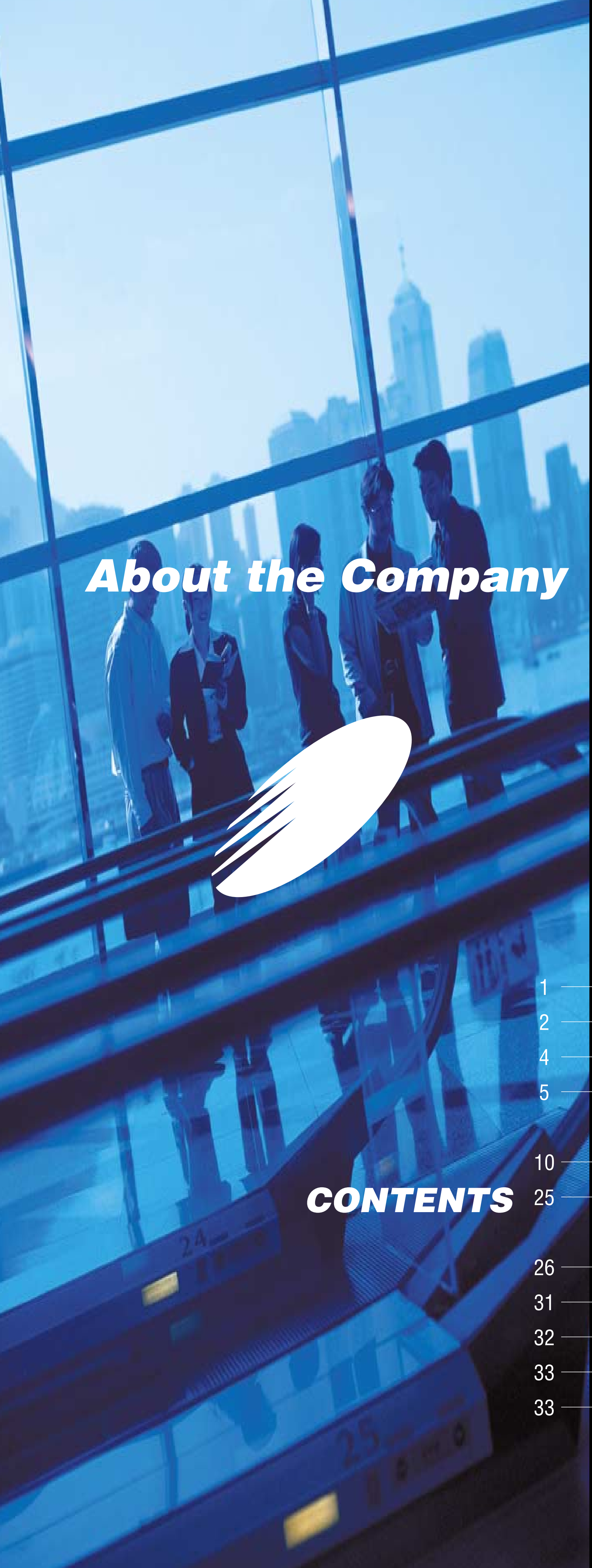
The Latest Solutions

Annual Report 2001

Our Global Perspective

TRANS COSMOS



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 nine sales offices in Japan, 44 subsidiaries, and 20 affiliates. Overseas, Trans Cosmos has bases in the United States, the People's Republic of China, and the Republic of Korea. Consolidated net sales and net income for the fiscal year ended March 2001 were ¥87,711 million and ¥4,205 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* (except per share data)	Percent Change
	1999	2000	2001	2001	2001/2000
Net sales	¥38,394	¥48,882	¥87,711	$707,919	+79.4%
Gross profit	8,840	13,638	26,228	211,690	+92.3%
Operating income	2,299	4,665	12,821	103,483	+174.8%
Net income	680	1,391	4,205	33,935	+202.3%
Net income per share	¥ 31.9	¥ 59.9	¥ 172.6	$ 1.39	+188.1%

CONSOLIDATED BALANCE SHEET DATA

March 31	Millions of Yen		Thousands of U.S. Dollars*	Percent Change
	2000	2001	2001	2001/2000
Total current assets	¥58,194	¥69,005	$556,938	+18.6%
Total current liabilities	11,459	19,068	153,902	+66.4%
Total long-term liabilities	1,641	3,875	31,271	+136.1%
Total shareholders' equity	68,164	79,552	642,067	+16.7%

NON-CONSOLIDATED INCOME STATEMENT DATA

Years ended March 31	Millions of Yen (except per share data)			Thousands of U.S. Dollars* (except per share data)	Percent Change
	1999	2000	2001	2001	2001/2000
Net sales	¥34,543	¥39,386	¥49,626	$400,529	+26.0%
Gross profit	7,866	8,794	10,494	84,694	+19.3%
Operating income	2,862	3,566	4,016	32,412	+12.6%
Net income	1,747	2,319	2,562	20,677	+10.5%
Net income per share	¥ 81.9	¥ 99.9	¥ 105.2	$ 0.85	+5.3%
Cash dividends per share	¥ 20.0	¥ 20.0	¥ 20.0	$ 0.16	—
Weighted average number of shares (thousand)	21,344	23,210	24,362	24,362	+5.0%

NON-CONSOLIDATED BALANCE SHEET DATA

March 31	Millions of Yen		Thousands of U.S. Dollars*	Percent Change
	2000	2001	2001	2001/2000
Total current assets	¥32,542	¥29,028	$234,290	-10.8%
Total current liabilities	5,861	11,977	96,671	+104.4%
Total long-term liabilities	292	3,636	29,343	+1,145.2%
Total shareholders' equity	72,876	76,241	615,339	+4.6%

* U.S. dollar amounts are translated from yen, solely for convenience, at the rate of ¥123.90=U.S.$1.

Message from the President

KOKI OKUDA
Chairman, President & CEO

PERFORMANCE

During the fiscal year under review, Japan's economy mounted a mild recovery during the first half, supported by private sector capital investment and a bottoming out of personal consumption. These favorable conditions reversed in the second half, however, because of a slowdown in the previously strong U.S. economy, which caused a downturn in Japan's stock market and other economic activity, pushing the economy back into stagnation.

Investment in information technology was relatively strong, backed by firm demand from companies for information system restructuring services to maintain their competitiveness and to participate in the full-fledge start to e-commerce in Japan. Nevertheless, a gap began to open between companies' information system investments as a result of the so-called bursting of the Internet bubble.

Guided by our key concept of e-Outsourcing Integration, we actively invested in our system development and system operation services. Moreover, we proceeded with the development of new and more efficient outsourcing services for advanced networks, including call management, help desk, education, network management, and e-commerce settlement systems as well as high-value-added services, such as 3-dimensional CAD.

To further strengthen our "eOutsourcing Integration" services, we established a Consulting Division, which offers a wide range of integrated consulting services covering upstream processes for IT systems to operation services.

With the full-fledged start to e-commerce business in Japan, our interactive-based eCRM has become an essential service component. Based on our key concept of "High Tech & High Touch," representing our commitment to providing a fusion of leading technology and customer services, we are steadily building our performance record in this business by promoting Internet-enabled call centers and developing our customer bases in the Internet banking and trading and other fields.

We continued to develop our e-Contact Center, a next generation CRM solution that can handle telephone, facsimile, e-mail, and web access enquires as well as automating the call reception business, providing low-cost customer data collection operations. To this end, we invested in VoIP technology that enables one-click connections from personal computers to call centers, voice recognition capabilities using Nuance Communications, Inc.'s technology, and Q&A response capabilities using Ask Jeeves, Inc.'s Internet-based Q&A solution technology.

In our venture capital business segment, we prepared for future expansion by selling a portion of our shareholdings in various businesses for a substantial profit.

As result of these efforts, consolidated net sales rose ¥38,829 million or 79.4%, to ¥87,711 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 fulfill 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.

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.

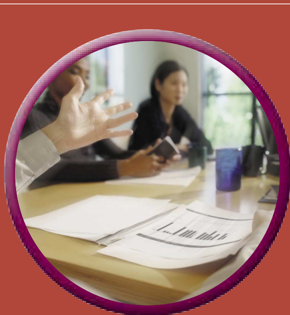
Some of our affiliated companies in the Internet field or related manufacturing areas have reached the stage where they need to go public. We plan to provide support for them in the listing process.

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 these endeavors, we look forward to the continued support of our shareholders.

Koki Okuda
Chairman, President & CEO

TRANS COSMOS INTEGRATED OUTSOURCING SERVICES

Outsourcing Services to Improve Business Competitiveness
We also provide "eOutsource Integration" Services for full client satisfaction.



eConsulting

Our Extensive Business Experience Supports the Business Success of Our Clients

We offer business consulting services that help guide our client companies to certain success. Through our outsourcing services including contact center businesses, we have acquired extensive business know-how that is put to use for our clients' benefit. From business model planning to optimization of operations and even the planning of next generation marketing strategies, Trans Cosmos supports its clients' businesses. Furthermore, our information system and network utilize leading edge technology, offering comprehensive solution services befitting the term eConsulting.

System Integration

We Create and Support an Information System that Helps Guide Our Clients to Business Success

Today, information systems play an important role as the nucleus of a business. To make our outsourcing services more effective, we act as a system integrator in building an information system that will support business success. We offer total system integration services, from hardware selection to network construction and operating support.

eMarketing

We Propose Advanced Internet Marketing Strategies

With the rapid spread of the Internet, the marketing frontier has shifted to electronic networks. Trans Cosmos combines CRM know-how developed over its many years in the contact center business with information system technology to offer clients advanced marketing platforms. Building and analyzing customer databases for our clients, we help plan and implement the e-marketing strategies of clients, including Web, e-mail, and other new types of marketing media.

eCustomer Relationship Management/eBusiness Operation

Our System Operation Support Services Promote More Efficient Business

Communicating with end users by telephone, e-mail, Web sites, and other methods is placing a growing administrative burden on companies. At Trans Cosmos, our e-business operations support services combine both the latest technology and staff who boast a wealth of experience in the field. Using these resources, we design, operate, and maintain data bases that can efficiently use all types of data. Based on these systems, we also provide efficient outsourcing customer relationship management services.

Back Office Support

Support for the Back Office Behind the Business

Today, all companies are facing escalating personnel costs to run their information systems. Trans Cosmos can efficiently support these operations based on outsourcing services know-how accumulated over many years. And we boast comprehensive back office support. Our skilled human resources can help clients cope with the huge volumes of information used in the CRM and sales and delivery management fields. Similarly, we can assist with the sophisticated business knowledge demanded in the medical and insurance billing fields. We also can provide support for the technical knowledge needed in the CAD/CAM-based machinery and electronic component design field.

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 retirement benefits, financial instruments, and foreign currency translation. 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 sales category, and the percentage of total net sales represented by each sales category, for the periods indicated.

	For the years ended March 31,						
	1999		2000		2001		2001
	(Millions of Yen) (%)						(Thousands of U.S. Dollars)
Computer service	¥37,306	97.2%	¥44,991	92.0%	¥59,924	68.3%	$483,646
Venture capital	1,088	2.8%	3,891	8.0%	27,787	31.7%	224,273
Total	¥38,394	100.0%	¥48,882	100.0%	¥87,711	100.0%	$707,919

* U.S. dollar amounts are translated from yen, solely for convenience, at the rate of ¥123.90=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

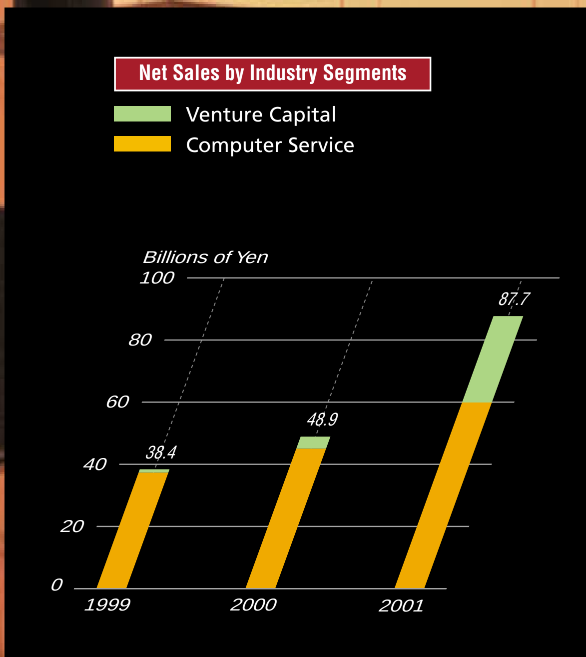
Fiscal 2001 Compared to Fiscal 2000

Net Sales. Net sales advanced by 79.4% to ¥87,711 million ($707.9 million) in fiscal 2001 from ¥48,882 million in fiscal 2000. While prices changed little, the

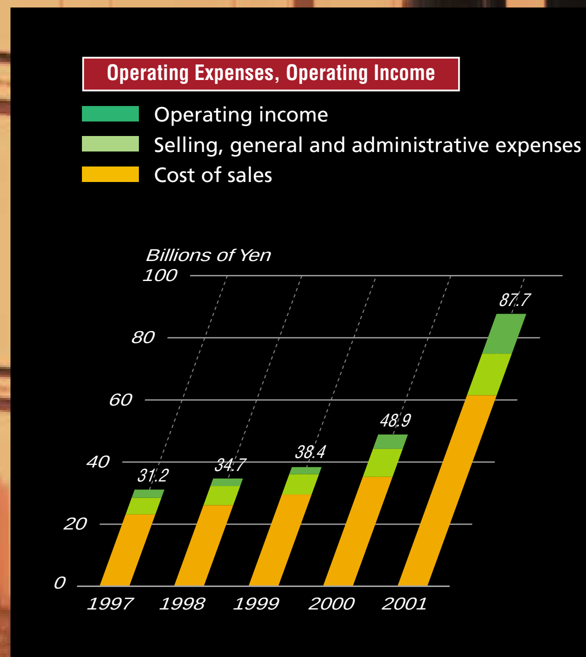
Performance Charts

on the Consolidated Basis

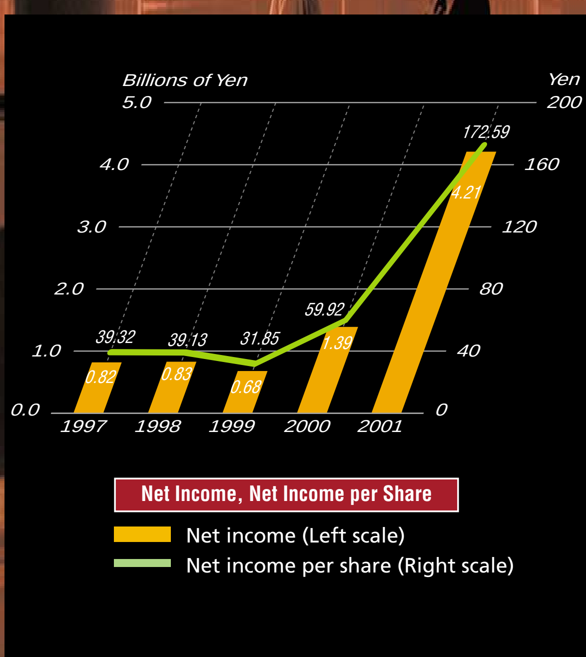
Net Sales by Industry Segments



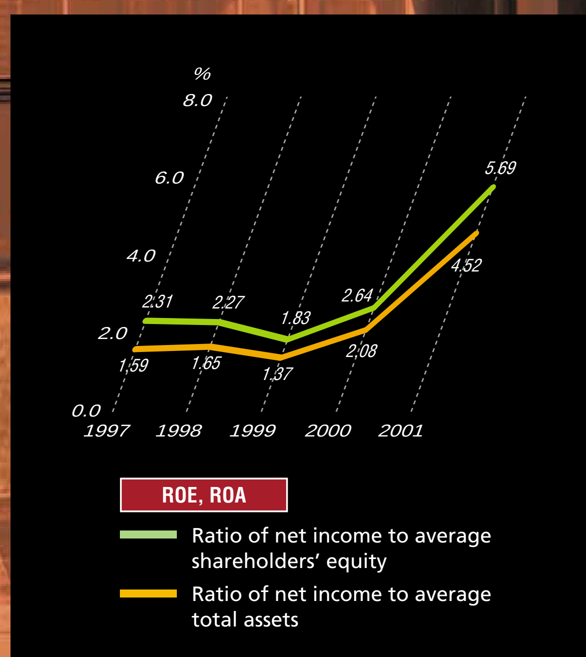
Operating Expenses, Operating Income



Net Income, Net Income per Share



ROE, ROA



volume of services and goods sold increased, and demand shifted to higher value added services. The increase in net sales was principally attributed to growth of 33.2%, or ¥14,933 million ($120.5 million), in sales of Computer Service from fiscal 2000 to fiscal 2001 and revenues from the venture capital segment increased six-fold, or ¥23,896 million ($192.9 million). The Company's sales growth in this category 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 division and network and 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 2000 to fiscal 2001 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 92.3% to ¥26,228 million ($211.7 million) in fiscal 2001 from ¥13,638 million in fiscal 2000 as the Company's cost of sales increased at 74.4%, a slightly slower rate than the net sales growth rate of 79.4%. Cost of sales increased to ¥61,483 million ($496.2 million) in fiscal 2001 from ¥35,244 million in fiscal 2000. 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, 2001 was 7,589 while the number of such employees at March 31, 2000 was 5,796. 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 174.8% to ¥12,821 million ($103.5 million) in fiscal 2001 from ¥4,665 million in fiscal 2000 while selling, general and administration expenses increased by 49.4% to ¥13,407 million ($108.2 million) in fiscal 2001 from ¥8,973 million in fiscal 2000.

Non-Operating Income (Expenses). In fiscal 2001, non-operating income (expenses) booked a net expense of ¥3,771 million ($30.4 million) compared with a net expense of ¥1,251 million in fiscal 2000. Major contribution to revenues were ¥838 million ($6.8 million) in interest income compared with ¥498 million in the previous fiscal year and a ¥568 million ($4.6 million) gain on sale of marketable securities compared with ¥17 million in fiscal 2000. The chief expense components were a ¥1,815 million ($14.7 million) loss on write-down of marketable securities and investments in securities; a ¥1,597 million ($12.9 million) expense from equity in earnings of unconsolidated subsidiaries and affiliates; and a ¥746 million ($6.0 million) loss on investments in partnership. The Company also recorded a loss on liquidation of business segment of ¥489 million ($3.9 million) in connection with the bankruptcy of subsidiaries, consisting of a ¥173 million loss on write-down of loans and other current assets and a ¥316 million loss on liquidation of subsidiaries. Similar charges have been made in the past two years.

Income Tax. Net of deferred taxes, income taxes increased by 116.5% to ¥4,498 million ($36.3 million) in fiscal 2001 from ¥2,078 million in fiscal 2000. The Company's effective tax rate in fiscal 2001 decreased to 49.7% from 60.9% in fiscal 2000 principally as the result of a substantial increase in deferred taxes.

Net Income. Net income increased by 202.3% to ¥4,205 million ($33.9 million) in fiscal 2001 from ¥1,391 million in fiscal 2000, increasing as a percentage of net sales to 4.8% from 2.8% in fiscal 2000.

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.

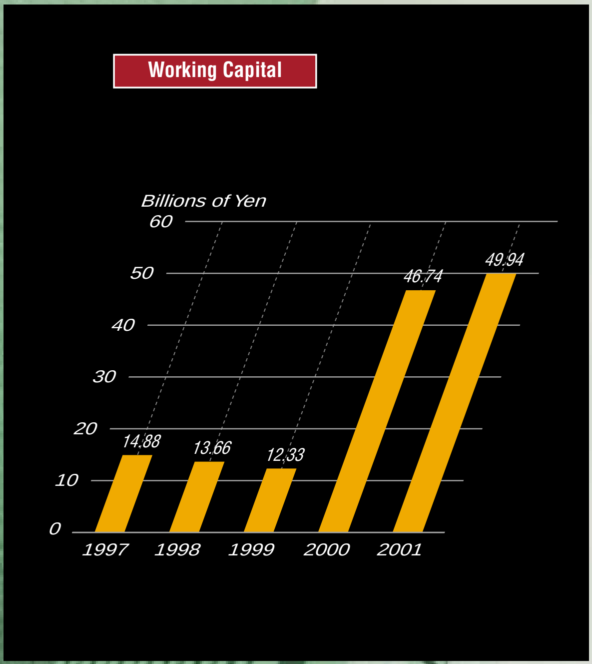
Capital Requirements

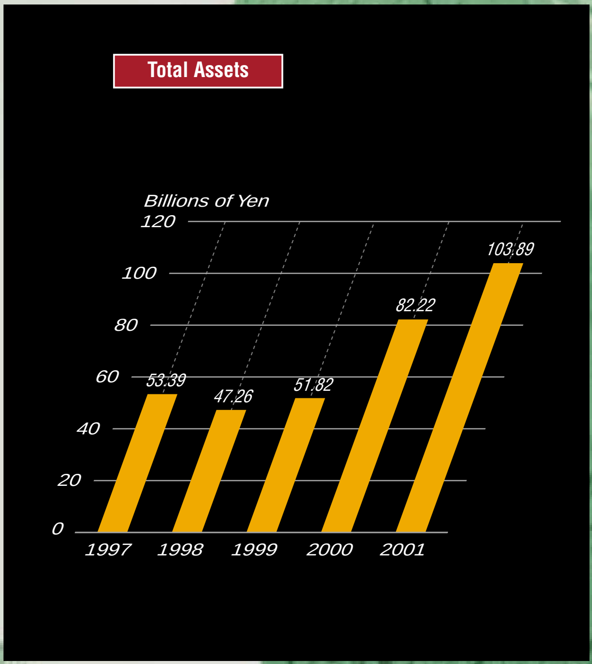
Historically, the Company's capital requirements consisted principally of the need for working capital and the need for acquisition and maintenance of computers in connection with its growing computer services operations in Japan. Such computer service operations require significant amounts of capital so the Company generally carries large amounts of notes and accounts receivable from customers and also must finance jobs and software in progress, merchandise and other current items.

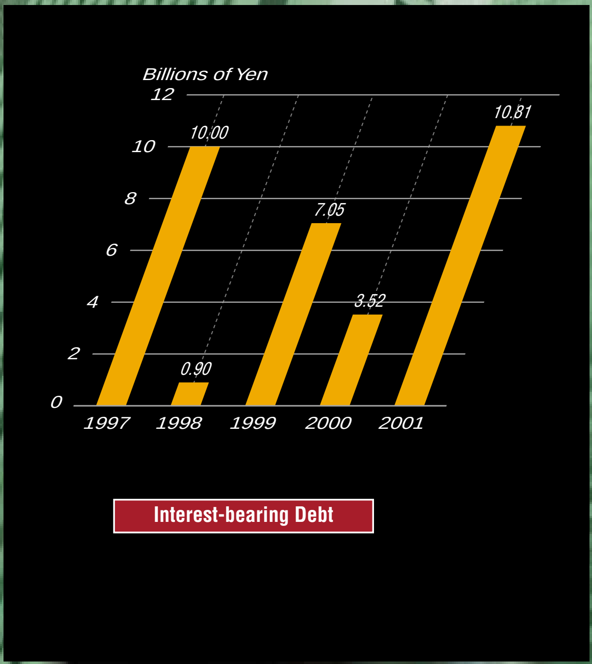
In addition, commencing with the formation of Encompass Group Inc. in 1995, the Company has been implementing strategy of investment in U.S. startup

Performance Charts

on the Consolidated Basis







and development-stage companies in Internet-related business to enhance access to developing technologies, and investment in joint ventures in Japan to exploit 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, 2001 consisted principally of the following.:

- Marketable securities of ¥25,832 million ($208.5 million), which are principally money management funds (MMFs) and equity;
- Investment in securities (long-term portfolio) of ¥4,640 million ($37.4 million, principally investments in Japanese equity securities;
- Investments in unconsolidated subsidiaries and affiliates of ¥11,221 million ($90.6 million); and
- Other investments of ¥5,994 million ($48.4 million), including an investment of $33 million for the entire limited partnership interest in US Information Technology Financing LP, a fund managed by subsidiaries.

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 ¥46,735 million as of March 31, 2000 and ¥49,937 million ($403.0 million) as of March 31, 2001. As of March 31, 2001, the Company had cash, time deposits (not including long-term time deposits) and commercial paper and marketable securities of ¥22,782 million ($183.9 million) compared to ¥30,552 million as of March 31, 2000. The increase in current assets was principally due to ¥31,869 million ($257.2 million) in investments in securities for operating purposes. As of March 31, 2001 the Company had ¥2,242 million ($18.1 million) in short-term bank loans compared to ¥2,010 million as of March 31, 2000.

The Company derives a significant portion of its capital from net cash provided (used) by operations. See Consolidated Statements of Cash Flows. The increase in net income before income taxes in fiscal 2001 did not produce an increase in net cash provided by operating activities, principally as a result of an increase in investment in securities for operating purposes and in income tax paid.

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.

In fiscal 2001, proceeds from short-term bank loans amounted to ¥12,891 million ($104.0 million), proceeds from long-term loans totaled ¥3,000 million (¥24.2 million), and proceeds from issuance of commercial paper was ¥5,000 million ($40.4 million). Repayment of short-term and long-term bank loans totaled ¥13,275 million. Proceeds from new stock issues amounted to ¥812 million ($6.6 million) compared with ¥30,954 million in the previous fiscal year.

Cash and cash equivalents at end of year were ¥20,781million ($167.7 million), up ¥1,136 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, 2000 and 2001

ASSETS	Millions of Yen		Thousands of U.S. Dollars (Note 4)
	March 31,		
	2000	2001	2001
Current Assets:			
Cash, Time deposits and commercial paper	¥20,033	¥ 21,181	$170,950
Marketable securities (Note 4)	10,519	1,601	12,918
Investments in securities for operating purposes	15,313	31,869	257,214
Notes and accounts receivable:			
Customers	7,480	9,659	77,960
Unconsolidated subsidiaries and affiliates	96	97	780
	7,576	9,756	78,740
Less: allowance for bad debts	(31)	(105)	(848)
	7,545	9,651	77,892
Jobs and software in progress and merchandise (Note 5)	1,453	1,450	11,702
Deferred tax assets (Note 14)	594	2,068	16,694
Other current assets	2,737	1,185	9,568
Total current assets	58,194	69,005	556,938
Investments and Advances:			
Investments in securities (Note 4)	4,640	6,920	55,854
Investments in and advances to unconsolidated subsidiaries and affiliates	1,512	11,221	90,567
Long-term time deposits	2,000	—	—
Other investments	6,205	5,994	48,375
Total investments and advances	14,357	24,135	194,796
Property and Equipment, at cost, less Accumulated Depreciation (Note 6)	5,317	5,904	47,654
Fixed Leasehold Deposits (Note 7)	2,074	2,299	18,556
Deferred Charges, Intangibles and Other	1,198	1,878	15,158
Deferred tax assets	—	671	5,417
Foreign Currency Translation Adjustments	1,082	—	—
	¥82,222	¥103,892	$838,519

The accompanying notes are an integral part of the statements.

LIABILITIES AND SHAREHOLDERS' EQUITY	Millions of Yen		Thousands of U.S. Dollars (Note 4)
	March 31,		
	2000	2001	2001
Current Liabilities:			
Short-term bank loans (Note 8)	¥ 2,010	¥ 2,242	$ 18,092
Commercial paper	—	5,000	40,355
Accounts payable:			
Suppliers	3,432	4,043	32,631
Unconsolidated subsidiaries and affiliates	98	66	531
	3,530	4,109	33,163
Income taxes payable	2,119	1,440	11,620
Accrued expenses			
Accrued bonuses to employees	1,068	1,320	10,665
Advances received	975	1,045	8,433
Other current liabilities	1,757	3,912	31,574
Total current liabilities	11,459	19,068	153,902
Long-term Liabilities:			
Long-term bank loans	1,509	3,570	28,813
Deferred tax liabilities (Note14)	128	61	492
Security deposits received	4	12	97
Reserve for retirement benefits (Note 9)	—	53	424
Other long-term liabilities	—	179	1,445
Total long-term liabilities	1,641	3,875	31,271
Minority Interests in Subsidiaries	961	1,397	11,279
Contingent Liabilities (Note 10)			
Shareholders' Equity:			
Common stock, par value ¥50 per share:			
Authorized 32,800,000 shares and 90,088,176 shares at March 31, 2000 and 2001, respectively			
Issued 24,344,613 shares and 24,397,023 shares at March 31, 2000 and 2001, respectively	29,024	29,066	234,592
Additional paid-in capital	29,847	30,623	247,158
Retained earnings	9,293	12,747	102,881
Unrealized gains on marketable securities and investments in securities	—	5,068	40,903
Foreign currency translation adjustments	—	2,048	16,536
	68,164	79,552	642,070
Treasury stock	(3)	(0)	(3)
Total shareholders' equity	68,161	79,552	642,067
	¥82,222	¥103,892	$838,519

The accompanying notes are an integral part of the statements.

Consolidated Statements of Income

TRANS COSMOS Inc. and Consolidated Subsidiaries

For the years ended March 31, 1999, 2000 and 2001

	Millions of Yen			Thousands of U.S. Dollars (Note 4)
	For the year ended March 31,			
	1999	2000	2001	2001
Net Sales (Note 15)	¥38,394	¥48,882	¥87,711	$707,919
Cost of Sales	29,554	35,244	61,483	496,229
Gross profit	8,840	13,638	26,228	211,690
Selling, General and Administrative Expenses	6,541	8,973	13,407	108,207
Operating income	2,299	4,665	12,821	103,483
Non-Operating Income (Expenses):				
Interest income	565	498	838	6,761
Interest expenses	(29)	(67)	(106)	(852)
New share issue expenses	—	(252)	(6)	(50)
Dividend income	25	40	22	175
Amortization of excess of costs of investments over equity in net assets	6	—	—	—
Loss on disposal of inventories	(110)	(69)	—	—
Gain on sale/disposal of marketable securities	3	17	568	4,586
Loss on sale/disposal of investments in securities	(21)	—	—	—
Loss on sale/disposal of property	(56)	(126)	(273)	(2,203)
Loss on liquidation of business segment (Note 13)	(368)	(391)	(489)	(3,946)
Gains/(losses) on disposal of investments in affiliates	—	52	115	929
Equity in earnings of unconsolidated subsidiaries and affiliates	(228)	(275)	(1,597)	(12,891)
Foreign exchange gains/(losses)	401	(521)	25	196
Loss on investments in partnership	—	(73)	(746)	(6,021)
Loss on closure of offices	—	(90)	—	—
Loss on write-down of marketable securities and investments in securities	(69)	—	(1,815)	(14,652)
Amortization of long-term prepaid expenses	(137)	(43)	—	—
Gains on sale of stock by investees	—	—	139	1,123
Loss on sale of stock by investees	—	—	(41)	(329)
Loss on write-down of golf membership	—	—	(169)	(1,367)
Amortization of transition amount arising from adopting new account (Note 9)	—	—	(60)	(485)
Other, net	25	49	(176)	(1,411)
	7	(1,251)	(3,771)	(30,437)
Income before income taxes	2,306	3,414	9,050	73,046
Income Taxes (Note 14)				
Current	1,722	2,395	9,130	73,687
Deferred	—	(317)	(4,632)	(37,383)
	584	1,336	4,552	36,741
Minority Interests in Net Income of Subsidiaries	96	55	(347)	(2,806)
Net income	¥ 680	¥ 1,391	¥ 4,205	$ 33,935
	Yen			U.S. Dollars
Per Share:				
Net income	¥ 31.9	¥ 59.9	¥ 172.6	$ 1.39
Cash dividends	¥ 20.0	¥ 20.0	¥ 20.0	$ 0.16
Weighted average number of shares (in thousands)	21,344	23,210	24,362	24,362

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, 1999, 2000 and 2001

		Millions of Yen			
	Number of shares of common stock	Common stock	Additional paid-in capital	Legal reserve	Retained earnings
Balance at March 31, 1998	21,344,613	¥ 13,421	¥ 14,244	¥198	¥ 9,260
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
Cash dividends	—	—	—	—	(487)
Directors' bonuses	—	—	—		(70)
Decrease due to additional consolidation of subsidiaries	—	—	—	—	(119)
Increase due to decrease in consolidation of subsidiaries	—	—	—	—	145
Decrease due to additional unconsolidated subsidiaries and affiliates	—	—	—	—	(231)
Increase due to decrease in unconsolidated subsidiaries and affiliates	—	—	—	—	11
New share issue with merger on December 1, 2000	52,410	42	776	—	—
Net income for the year ended March 31, 2001	—	—	—	—	4,205
Balance at March 31, 2001	24,397,023	¥ 29,066	¥ 30,623	¥ —	¥ 12,747

	Thousands of U.S. Dollars (Note 4)			
Balance at March 31, 2000	$234,252	$240,895	$ —	$ 75,003
Cash dividends	—	—	—	(3,930)
Directors' bonuses	—	—		(565)
Decrease due to additional consolidation of subsidiaries	—	—	—	(962)
Increase due to decrease in consolidation of subsidiaries	—	—	—	1,169
Decrease due to additional unconsolidated subsidiaries and affiliates	—	—	—	(1,864)
Increase due to decrease in unconsolidated subsidiaries and affiliates	—	—	—	95
New share issue with merger on December 1, 2000	340	6,261	—	—
Net income for the year ended March 31, 2000	—	—	—	33,935
Balance at March 31, 2001	$234,592	$247,156	$ —	$102,881

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 and 2001

	Millions of Yen		Thousands of U.S. Dollars (Note 4)
	2000	2001	2001
Cash Flows from Operating Activities:			
Net income before income tax	¥ 3,413	¥ 9,050	$ 73,046
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation	471	827	6,677
Amortization of excess costs of investments over equity in net assets	51	189	1,526
Amortization of intangible assets	162	194	1,566
Accrued interest and dividend income	(537)	(859)	(6,936)
Accrued interest expenses	67	106	852
Foreign exchange gain/loss	521	(24)	(200)
New share issue expenses	252	6	50
Loss on liquidation of business segment	391	489	3,946
Equity in earnings of unconsolidated subsidiaries and affiliates	275	1,597	12,891
Gain on sale of investment in unconsolidated subsidiaries and affiliates	(52)	(115)	(929)
Gain on sale of marketable securities	(17)	(568)	(4,586)
Reversal of allowance for bad debt	(3)	88	716
Increase in reserve for retirement benefits	—	52	422
Loss on write-down of investments in securities	—	1,815	14,653
Loss on investments in partnership	74	746	6,021
Loss on write-down of golf club membership	—	170	1,367
Loss on disposal of property	126	159	1,284
Increase in accrued bonuses to employees	154	250	2,019
Increase in notes and accounts receivable	(1,588)	(2,686)	(21,678)
Increase in investment in securities for operating purposes	(11,489)	(7,918)	(63,907)
Increase/decrease in jobs and software in progress and merchandise	124	(80)	(648)
Increase in accounts payable	282	653	5,269
Other, net	960	4,776	38,546
Sub total	(6,365)	8,917	71,967
Interest and dividend income received	489	1,078	8,700
Interest expenses paid	(65)	(106)	(858)
Income tax paid	(1,365)	(9,917)	(80,037)
Net cash used for operating activities	(7,306)	(28)	(228)
Cash Flows from Investing Activities:			
Place of long-term time deposits	—	(2,000)	(16,142)
Withdraw of long-term time deposits	—	11,000	88,781
Payments for purchase of marketable securities	(2,686)	(800)	(6,458)
Proceeds from sale of marketable securities	3,620	2,836	22,890
Payments for purchase of property and equipment	(1,220)	(1,934)	(15,612)
Payments for purchase of investments in securities	(3,969)	(3,477)	(28,061)
Proceeds from sale of investments in securities	657	333	2,686
Payments for purchase of intangibles	(406)	(703)	(5,678)
Payments for purchase of other investments	(2,227)	(13,795)	(111,339)
Proceeds from sale of other investments	838	710	5,735
Net cash used for investing activities	¥ (5,393)	¥ (7,830)	$ (63,198)

(continued)

The accompanying notes are an integral part of the statements.

	Millions of Yen 2000	2001	Thousands of U.S. Dollars (Note 4) 2001
Cash Flows from Financing Activities:			
Proceeds from short-term bank loans	¥ 1,806	¥12,891	$104,049
Repayment of short-term bank loans	(7,267)	(12,240)	(98,786)
Proceeds from issuance of commercial paper	—	5,000	40,355
Proceeds from long-term bank loans	1,170	3,000	24,213
Repayment of long-term bank loans	(334)	(1,035)	(8,356)
Proceeds from new stock issue	30,954	812	6,552
Payments for purchase of treasury stock	(3)	(4)	(34)
Proceeds from sale of treasury stocks	—	4	37
Proceeds from stock issue to minority interests	74	773	6,237
Cash dividends paid	(457)	(487)	(3,930)
Dividends paid to minority interests	—	(8)	(68)
Payment in relation to liquidation of affiliated companies	—	(348)	(2,811)
Directors' bonus paid	(53)	—	—
Net cash provided by financing activities	25,890	8,358	67,458
Effect of exchange rate changes on cash and cash equivalents	(2,293)	1,191	9,620
Net increase in cash and cash equivalent	10,898	1,691	13,652
Increase due to increase in consolidated subsidiaries	612	118	954
Decrease due to decrease in consolidated subsidiaries	(8)	(673)	(5,433)
Cash and cash equivalents at the beginning of year	8,143	19,645	158,553
Cash and cash equivalents at end of year	¥19,645	¥20,781	$167,726

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

	Millions of Yen March 31, 2000	2001	Thousands of U.S. Dollars (Note 4) 2001
Cash and time deposits	¥20,033	¥21,181	$170,950
Marketable securities	10,519	1,601	12,918
	30,552	22,781	183,868
Time deposits with maturity periods exceeding three months	(9,000)	(2,000)	(16,142)
Equity securities and securities investment trust	(1,907)	—	—
Cash and cash equivalents	¥19,645	¥20,781	$167,726

The accompanying notes are an integral part of the statements.

Notes to the Consolidated Financial Statements

TRANS COSMOS Inc. and Consolidated Subsidiaries

1. Basis of Presenting Consolidated Financial Statements

Accounting Principles

The accompanying consolidated financial statements have been prepared from 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 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.

The accounts of 10 overseas consolidated subsidiaries, Trans Cosmos USA Inc., EnCompass Group Inc., EnCompass Globalization Inc., EGI Fund Management Company L.L.C., EGI Fund Management Company 2 L.L.C., Access Ventures Partners L.L.C., Unitrendix Corporation (incorporated in the U.S.A.), Trans Cosmos Information Creative (China) Co., Ltd. (incorporated in China), Network Asia Inc. and Trans Cosmos Hong Kong Ltd. (incorporated in Hong Kong) 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 years ended March 31, 2000 and 2001, in accordance with a new accounting standard introduced in 2000.

2. Summary of Significant Accounting Policies

(1) Scope of Consolidation

The Company had 44 subsidiaries (majority-owned companies) as at March 31, 2001- (38 as at March 31, 2000 and 26 as at March 31, 1999). The consolidated financial statements include the accounts of the Company and 37 of its subsidiaries for the year ended March 31, 2001 (28 for the year ended March 31, 2000 and 12 for the year ended March 31, 1999).

The remaining 7 (10 for 2000 and 14 for 1999) subsidiaries, whose combined asset, net sales and net income in the aggregate are not significant in relation to those of the consolidated financial statements of the Group Inc., 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 Globalization Inc., EGI Fund Management Company L.L.C., EGI Fund Management 2 L.L.C., Access Ventures Partners 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., Network Asia Inc., Mediaring T.C. K.K. and Trans Cosmos Hong Kong 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 translation 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 or 10 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 one unconsolidated subsidiary and 18 affiliates (9 affiliates for the year ended March 31, 2000 and one unconsolidated subsidiary and 9 affiliates for the year ended March 31, 1999). The investments in the remaining unconsolidated subsidiaries and affiliates are carried at cost.

(4) Financial Instruments

Until the year ended March 31, 2000, valuation of securities are made as follows:

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.

Effective from the year ended March 31, 2001, the Company and its subsidiaries adopted the new Japanese accounting standard for financial instruments, which is effective for periods beginning on or after April 1, 2000. As a result of adoption of the new standard, income before income taxes for the year ended March 31, 2001 has decreased by ¥475 million, as compared with the amount which would have been reported if the previous standard had been applied consistently.

Securities

Securities held by the Company and its subsidiaries are, under the new standard, classified into three categories;

Held-to-maturity debt securities, that the Company and its subsidiaries have intent to hold to maturity, are stated at cost after accounting for premium or discount on acquisition, which are amortized over the period to maturity.

Other securities for which market quotations are available are stated at fair value. Net unrealized gains or losses on these securities are reported as a separate item in the shareholders' equity at a net-of-tax amount.

Other securities for which market quotations are unavailable are stated at cost, except as stated in the paragraph below.

Under the new standard, debt securities due within one year and cash equivalent securities are presented as "current" and all the other securities are presented as "non-current". The securities held by the Company and its subsidiaries have been reclassified as of April 1, 2000 (the beginning of year). As a result of such reclassification, the securities in the current portfolio have decreased by ¥1,204 million and the securities in the non-current portfolio have increased by the same amount.

(5) Inventories

Job 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 of the Company and domestic subsidiaries is principally computed on the declining-balance method, at rates based on the estimated useful lives. 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.

Depreciation for foreign subsidiaries is principally computed on the straight-line method.

Also depreciation of certain equipment of the call center in the Company is computed on the straight-line method, based on the estimated useful lives of assets.

(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. 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) Allowance for Bad Debts

The balance of allowance for bad debts represents the amount of the limit established by the incidence of doubtful account losses plus an amount deemed necessary to cover possible losses estimated on an individual account basis.

(11) Reserve for Retirement Benefits

Until the year ended March 31, 2000, employees' retirement benefits are as follows:

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 termination 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.

Effective from the year ended March 31, 2001, the Company and its domestic subsidiaries adopted the new Japanese accounting standard for retirement benefits, which is effective for periods beginning on or after April 1, 2000. In accordance with the new standard, the reserve for retirement benefits as of March 31, 2001 represents the estimated present value of projected benefit obligations in excess of the fair value of the plan assets except that, as permitted under the new standard, the unrecognized transition amount arising from adopting the new standard of ¥60 million at April 1, 2000 (the beginning of year) is amortized within the end of the fiscal year, and unrecognized actuarial differences are amortized on a straight-line basis over the period of 5 years from the next year in which they arise. As a result of adopting the new standard, net pension expense for the year ended March 31, 2001 has decreased by ¥14 million and income before income taxes has increased by ¥14 million as compared with the amounts which would have been reported if the previous standard had been applied consistently.

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 at a general meeting of shareholders. The Company does not provide for a reserve for accrued retirement payments to directors and statutory auditors.

(12) 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 financial statements of income.

(13) Translation of Foreign Currency Financial Statements

Translation of foreign currency financial statements of overseas subsidiaries into Japanese yen for consolidation purposes is made by using the current exchange rates prevailing at their balance sheet dates, with the exception that the translation of stockholders' equity is made by using historical rates. Revenue and expense accounts are translated by the current exchange rate prevailing at their balance sheet dates.

Until the year ended March 31, 2000, differences in yen amounts arising from the use of different rates were presented as "foreign currency translation adjustments" in assets.

Effective from the year ended March 31, 2001, the Company adopted the new Japanese accounting standard for foreign currency translation. In accordance with the new standard, the difference is represented as "foreign currency translation adjustments" in stockholders' equity, except for the portion belonging to minority stockholders, which is included in "minority interests in net income of subsidiaries".

(14) Appropriation of Retained Earnings

Under the Japanese Commercial Code and the Article 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 represents 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.

(15) Income Taxes

Income taxes of the Company and its domestic subsidiaries consist of corporate income taxes, local inhabitants taxes and enterprise taxes.

In the year ended March 31, 2000, the Company and its subsidiaries adopted the deferred tax accounting method in accordance with the amended regulations for preparation of consolidated financial statements. Income taxes were determined using the asset and liability approach, whereby deferred tax assets and liabilities were recognized in respect of temporary differences between the tax basis of assets and liabilities and those as reported in the financial statements. The cumulative effect of adopting deferred tax accounting at April 1, 1999 was charged to retained earnings.

(16) 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. 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 ¥123.90=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 ¥123.90=U.S.$1 or any other rate.

4. Marketable Securities and Investments in Securities

Marketable Securities and Investment in Securities as of March 31, 2000 consisted of the following:

	Millions of Yen March 31, 2000
Marketable securities (current portfolio):	
Listed corporate shares	¥ 5,592
Other	20,240
	¥25,832
Investments in securities (long-term portfolio):	
Listed corporate shares	¥ 920
Other	3,720
	¥ 4,640

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

	Millions of Yen March 31, 2000		
	Book value	Market value	Unrealized gain/(loss)
Marketable securities	¥5,592	¥72,069	¥66,477
Investments in securities	¥ 920	¥ 1,138	¥ 218

At March 31, 2001, the carrying amount and aggregate fair value of the securities classified as other securities for which market quotations are available were as follows:

	Millions of Yen			
	Cost	Unrealized Gains	Unrealized Losses	Fair value
Year ended March 31, 2001				
Other securities	¥6,314	¥6,797	¥244	¥12,866

	Thousands of U.S. Dollars			
	Cost	Unrealized Gains	Unrealized Losses	Fair value
Year ended March 31, 2001				
Other securities	$50,958	$54,855	$1,969	$103,845

5. 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.

6. Property and Equipment

Property and equipment as of March 31, 2000 and 2001 are summarized as follows:

	Millions of Yen		Thousands of U.S. Dollars
	March 31,		
	2000	2001	2001
Buildings and structures	¥2,607	¥3,014	$24,328
Cars and vehicles	76	77	620
Equipment, furniture and fixtures	2,403	3,503	28,274
	5,086	6,594	53,222
Less: accumulated depreciation	(2,125)	(2,553)	(20,606)
	2,961	4,041	32,616
Land	1,858	1,863	15,038
Construction in progress	498	—	—
	¥5,317	¥5,904	$47,654

7. Fixed Leasehold Deposits

Fixed leasehold deposits as at March 31, 2000 and 2001 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.

8. Short-term and Long-term Bank Loans

The annual average interest rate applicable to short-term bank loans at March 31, 2001 is 0.64%. Aggregate annual maturity of long-term bank loans subsequent to March 31, 2001 is as follows:

	Millions of Yen	Thousands of U.S. Dollars
Year ending March 31,		
2003	¥ 255	$ 2,058
2004	2,200	17,756
2005	1,115	9,000
	¥3,570	$28,814

9. Retirement Benefit Plan

The reserve for retirement benefits as of March 31, 2001 is analyzed as follows:

	Millions of Yen	Thousands of U.S. Dollars
	As of March 31, 2001	As of March 31, 2001
Projected benefit obligations	¥5,562	$44,891
Plan assets	5,481	44,233
	81	658
Unrecognized actuarial cost	220	1,772
Unrecognized plan assets	140	1,125
	1	11
Prepaid pension cost	51	413
	¥ 52	$ 424

Notes: The above table includes the amounts related to the portion subject to the Japanese Welfare Pension Insurance Law.

Net pension expense related to the retirement benefits for the year ended March 31, 2001 was as follows:

	Millions of Yen	Thousands of U.S. Dollars
	For the year ended March 31, 2001	For the year ended March 31, 2001
Service cost	¥474	$3,825
Interest cost	97	780
Expected return on plan assets	(135)	(1,086)
Amortization of transition amount	60	485
Net pension expenses	¥496	$4,004

Assumptions used in calculation of the above information were as follows:

	As of March 31, 2001
Discount rate	3.0%
Expected rate of return on plan assets	4.0%
Method of attributing the projected benefits to periods of services	Straight-line basis
Amortization of unrecognized prior service cost	5 years
Amortization of transition amount	Entirely charged to income in the current year
Amortization of unrecognized actuarial differences	5 years

10. Contingent Liabilities

As of March 31, 2001, 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
	March 31,	
	2001	2001
Guarantees on loans and other:		
So (director of Soft Brain Inc.)	¥ 300	$ 2,421
Net Perceptions Japan Inc.	300	2,421
J-One Inc.	260	2,091
Access Media International Partners Inc.	186	1,500
Live Picture Japan K.K.	130	1,049
Other	290	2,353
	¥1,466	$11,835

11. 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 years ended March 31, 2000 and 2001, is as follows:

	Millions of Yen		
	March 31, 2000		
	Acquisition Costs	Accumulated Depreciation	Net Leasehold Property
Buildings	¥ —	¥ —	¥ —
Furniture and Fixtures	1,155	(482)	673
Software	—	—	—
Total	¥1,155	¥(482)	¥673

Future minimum lease payments under finance lease, which included the imputed interest expense on such lease contracts as of March 31, 2000 and 2001, are as follows:

	Millions of Yen		
	March 31, 2001		
	Acquisition Costs	Accumulated Depreciation	Net Leasehold Property
Buildings	¥ 23	¥ 4	¥ 19
Furniture and Fixtures	1,429	460	969
Software	92	58	34
Total	¥1,544	¥522	¥1,022

	Thousands of U.S. Dollars		
	March 31, 2001		
	Acquisition Costs	Accumulated Depreciation	Net Leasehold Property
Buildings	$ 188	$ 32	$ 156
Furniture and Fixtures	11,528	3,714	7,814
Software	746	471	275
Total	$12,462	$4,217	$8,245

Future minimum lease payments under finance lease, which included the imputed interest expense on such lease contracts as of March 31, 2000 and 2001, are as follows:

	Millions of Yen		Thousands of U.S. Dollars
	March 31,		
	2000	2001	2001
Due within one year	¥234	¥331	$2,672
Due after one year	352	631	5,090
	¥586	¥962	$7,762

Depreciation expense, lease expense and interest expense which are not reflected in the accompanying consolidated statements of income for the years ended March 31, 2000 and 2001, would be as follows:

	Millions of Yen		Thousands of U.S. Dollars
	March 31,		
	2000	2001	2001
Depreciation expense	¥193	¥270	$2,181
Lease expense	269	333	2,684
Interest expense	39	31	252

12. 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.

13. Loss on Liquidation of Business Segment

In connection with the bankruptcy of subsidiaries, the Group incurred a loss of ¥489 million ($3,946 thousand) in the year ended March 31, 2001, which consisted of the following:

	Millions of Yen	Thousands of U.S. Dollars
	March 31,	
	2001	2001
Loss on write-down of loans and other current assets	¥173	$1,394
Loss on liquidation of subsidiaries	316	2,552
	¥489	$3,946

14. 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 years ended March 31, 2000 and 2001. Foreign subsidiaries are subject to income taxes of the countries in which they operate.

The effective rates of income taxes for the years ended March 31, 2000 and 2001 differs from the Company's statutory tax rate for the following reasons:

	2000	2001
Statutory tax rate	42.0%	42.0%
Permanent difference on dividend received	(6.6)	—
Equity in earnings of affiliates	3.4	7.4
Tax loss carry forward no recognized	14.7	5.2
Dividends received eliminated on consolidation	6.6	5.2
Tax rate difference on foreign consolidated subsidiaries	—	(7.3)
Loss on liquidation of business eliminated on consolidation	—	(3.6)
Other	0.8	0.8
Effective tax rate	60.9%	49.7%

The tax effects of temporary differences that give rise to significant portion of the deferred tax assets and liabilities as of March31, 2000 and 2001 are summarized as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2000	2001	2001
Deferred tax assets:			
Accrued bonus	¥ 142	¥ 257	$ 2,074
Accrued enterprise tax	120	136	1,097
Accrued salary	76	—	—
Investments in securities for operating purpose	213	—	—
Investments in affiliates	26	—	—
Write-down of investments in securities for operating purpose	—	1,589	12,827
Gain on disposal of investments in affiliates	—	1,039	8,382
Write-down of golf club membership	—	71	575
Tax loss carry forward	1,240	1,168	9,432
Others	35	218	1,758
	1,852	4,478	36,145
Valuation allowance	(1,230)	(1,168)	(9,433)
Total deferred tax assets	622	3,310	26,712
Deferred tax liabilities:			
Valuation difference on other securities	—	454	3,672
Allowance for bad debt	(3)	—	—
Gain on capital reduction	(154)	156	1,255
Others	—	22	174
Total deferred tax liabilities	(157)	632	5,101
Net deferred tax assets	¥ 465	¥2,678	$21,611

15. 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

The segment information of the Company and its consolidated subsidiaries for each of the two years in the period ended March 31, 2001, classified by industry segments is summarized as follows:

	For the year ended March 31, 2000 Millions of Yen				
	Computer Services	Venture Capital	Total Sales	Elimination & Unallocatable Amounts	Consolidated Total
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

	For the year ended March 31, 2001 Millions of Yen				
	Computer Services	Venture Capital	Total Sales	Elimination & Unallocatable Amounts	Consolidated Total
Sales:					
Sales to outside customers	¥59,924	¥27,787	¥87,711	¥ —	¥ 87,711
Inter-segment sales/transfers	356	42	398	(398)	—
Total	60,280	27,829	88,109	(398)	87,711
Operating expenses	53,415	17,632	71,047	3,843	74,890
Operating profit or loss	6,865	10,197	17,062	(4,241)	12,821
Assets	¥20,462	¥53,516	¥73,978	¥29,914	¥103,892
Depreciation	758	66	824	197	1,021
Capital expenditure	1,667	19	1,686	248	1,934

	For the year ended March 31, 2001 Thousands of U.S. Dollars				
	Computer Services	Venture Capital	Total Sales	Elimination & Unallocatable Amounts	Consolidated Total
Sales:					
Sales to outside customers	$483,646	$224,273	$707,919	$ —	$707,919
Inter-segment sales/transfers	2,876	335	3,211	(3,211)	—
Total	486,522	224,608	711,130	(3,211)	707,919
Operating expenses	431,115	142,310	573,425	31,011	604,436
Operating profit or loss	55,407	82,298	137,705	(34,222)	103,483
Assets	$165,149	$431,927	$597,076	$241,443	$838,519
Depreciation	6,115	536	6,651	1,592	8,243
Capital expenditure	13,461	150	13,611	2,000	15,612

(Note 1) The amounts of operating loss included in the column "Elimination or Unallocatable Amount" are ¥1,821 million and ¥3,842 million for the years ended March 31, 2000 and 2001, respectively, which includes expenses mostly charged to the Administration Department.

(Note 2) The amounts of assets included in the column "Elimination or Unallocatable Amount" are ¥34,597 million and ¥38,348 million for the years ended March 31, 2000 and 2001, respectively, which includes surplus working fund (cash and securities), long term investment fund (investment in securities and long-term deposits) and other assets which are attributable to the Administrative Department.

(2) Geographic Segment Information

Segment information classified by geographic area (inside and outside Japan) for each of the two years ended March 31, 2001 is summarized as follows:

	For the year ended March 31, 2000					
	Millions of Yen					
	Japan	U.S.A.	China	Total	Elimination or Unallocatable Amounts	Consolidated Total
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, 2001					
	Millions of Yen					
	Japan	U.S.A.	China	Total	Elimination or Unallocatable Amounts	Consolidated Total
Sales:						
(1) Sales to outside customers	¥58,705	¥28,875	¥ 131	¥87,711	—	¥ 87,711
(2) Intersegment sales/transfer	705	7	35	747	¥ (747)	—
Total	59,410	28,882	166	88,458	(747)	87,711
Operating expenses	51,994	18,613	440	71,047	3,843	74,890
Operating profit or losses	¥ 7,416	¥10,269	¥ (274)	¥17,411	¥ (4,590)	¥ 12,821
Assets	¥20,079	¥52,764	¥1,311	¥74,154	¥29,738	¥103,892

	For the year ended March 31, 2001					
	Thousands of U.S. Dollars					
	Japan	U.S.A.	China	Total	Elimination or Unallocatable Amounts	Consolidated Total
Sales:						
(1) Sales to outside customers	$473,809	$233,055	$ 1,055	$707,919	—	$707,919
(2) Intersegment sales/transfer	5,692	52	283	6,027	$ (6,027)	—
Total	479,501	233,107	1,338	713,946	(6,027)	707,919
Operating expenses	419,650	150,226	3,550	573,426	31,011	604,437
Operating profit or losses	$ 59,851	$ 82,881	$(2,212)	$140,520	$ (37,038)	$103,482
Assets	$162,060	$425,856	$10,581	$598,497	$240,022	$838,519

(Note 1) The amounts of operating loss included in the column "Elimination or Unallocatable Amounts" are ¥1,821 million and ¥3,842 million for the years ended March 2000 and 2001, respectively, which include expenses mostly charged to the Administrative Department.

(Note 2) The amounts of assets included in the column "Elimination or Unallocatable Amounts" are ¥34,897 million and ¥38,844 for the years ended March 31, 2000 and 2001, 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.

(3) Sales outside Japan

	For the year ended March 31, 2000		
	Millions of Yen		
	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, 2001		
	Millions of Yen		
	U.S.A.	Other	Total
Overseas sales	¥29,838	¥ 169	¥30,007
Consolidated sales	—	—	87,711
Ratio	34.0%	0.2%	34.2%

	For the year ended March 31, 2001		
	Thousands of U.S. Dollars		
	U.S.A.	Other	Total
Overseas sales	$240,823	$1,368	$242,191
Consolidated sales	—	—	707,919
Ratio	34.0%	0.2%	34.2%

16. Related Party Transactions

Material transactions of the directors of the Group companies for the year ended March 31, 2001 are as follows:

					Millions of Yen / Thousands of U.S. Dollars					
					Transaction			Outstanding Balance		
Name of related party	Company	Position	Percentage of equity ownership owned	Counter party	Description of transactions	For the year ended March 31, 2001		Account	at March 31, 2001	
			(%)							
Koki Okuda	Trans Cosmos	Chairman and president	19.4	C.P.C. Inc.	Computer service	¥481	$3,885	Accounts payable	¥61	$492

17. Subsequent Events

No significant events subsequent to March 31, 2001 are noted.

Report of Independent Certified Public Accountants

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, 2001 and 2000, and the related consolidated statements of income and shareholders' equity for each of the three years in the period ended March 31, 2001, and the related consolidated statement of cash flows for each of the two years in the period ended March 31, 2001, all expressed in Japanese yen.

Our audits were made in accordance with 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, 2001 and 2000, and the consolidated results of their operations for each of the three years in the period ended March 31, 2001, and their cash flows for each of the two years in the period ended March 31, 2001, 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, 2001, Trans Cosmos Inc. and its consolidated subsidiaries have adopted new Japanese accounting standards for retirement benefits, financial instruments and foreign currency translation.

The amount 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.

Chuo Aoyama Audit Corporation

Chuo Aoyama Audit Corporation

Tokyo, Japan
June 28, 2001

Non-Consolidated Balance Sheets

TRANS COSMOS Inc.
At March 31, 2000 and 2001

ASSETS	Millions of Yen		Thousands of U.S. Dollars (Note 4)
	March 31,		
	2000	2001	2001
Current Assets:			
Cash, time deposits and commercial paper	¥13,038	¥ 8,427	$ 68,016
Marketable securities	10,516	1,601	12,918
Notes and accounts receivable:			
Customers	5,769	7,400	59,726
Subsidiaries and affiliates	812	1,078	8,698
	6,581	8,478	68,424
Less: allowance for bad debts	(29)	(7)	(58)
	6,552	8,471	68,366
Loans to subsidiaries	—	8,021	64,746
Jobs and software in progress and merchandise	582	654	5,280
Deferred tax assets	277	354	2,858
Merchandise	480	396	3,198
Prepaid expenses	285	163	1,314
Other current assets	812	941	7,596
Total current assets	32,542	29,028	234,290
Investments and Advances:			
Investments in securities	4,250	6,336	51,138
Investments in and advances to subsidiaries and affiliates	27,515	42,946	346,611
Long-term time deposits	2,000	—	—
Other investments	6,105	6,163	49,745
Total investments and advances	39,870	55,445	447,494
Property and Equipment, at cost, less Accumulated Depreciation	4,368	4,689	37,839
Fixed Leasehold Deposits	1,760	1,929	15,571
Deferred Charges, Intangibles and other	489	763	6,159
	¥79,029	¥91,854	$741,353

The accompanying notes are an integral part of the statements.

LIABILITIES AND SHAREHOLDERS' EQUITY	Millions of Yen		Thousands of U.S. Dollars (Note 4)
	March 31,		
	2000	2001	2001
Current Liabilities:			
Commercial paper	¥ —	¥ 5,000	$ 40,355
Accounts payable:			
Suppliers	1,945	1,726	13,935
Subsidiaries and affiliates	919	1,234	9,960
	2,864	2,960	23,895
Income taxes payable	1,146	1,272	10,267
Accrued expenses	454	971	7,839
Accrued bonuses to employees	914	1,078	8,699
Other current liabilities	483	696	5,616
Total current liabilities	5,861	11,977	96,671
Long-term Liabilities:			
Long-term bank loans	—	3,000	24,214
Deferred tax liabilities	128	435	3,509
Reserve for retirement benefits	—	37	300
Other long-term liabilities	164	164	1,320
Total long-term liabilities	292	3,636	29,343
Shareholders' Equity:			
Common stock, par value at ¥50 per share:			
Authorized - 32,800,000 shares and 90,088,176 shares at March 31, 2000 and 2001			
Issued - 24,344,613 shares and 24,397,023 shares at March 31, 2000 and 2001, respectively	29,024	29,066	234,592
Additional paid-in capital	29,847	30,623	247,158
Legal reserve	301	357	2,882
General reserve	11,200	12,9000	104,116
Retained earnings	2,504	2,753	22,219
Unrealized gains on marketable securities and investments in securities	—	542	4,372
Total shareholders' equity	72,876	76,241	615,339
	¥79,029	¥91,854	$741,353

The accompanying notes are an integral part of the statements.

Non-Consolidated Statements of Income

TRANS COSMOS Inc.

For the years ended March 31, 1999, 2000 and 2001

	Millions of Yen			Thousands of U.S. Dollars (Note 3)
	For the year ended March 31,			
	1999	2000	2001	2001
Net Sales	¥34,543	¥39,386	¥49,626	$400,529
Cost of Sales	26,677	30,592	39,132	315,835
Gross profit	7,866	8,794	10,494	84,694
Selling, General and Administrative Expenses	5,004	5,228	6,478	52,282
Operating income	2,862	3,566	4,016	32,412
Non-Operating Income (Expenses):				
Interest income	329	363	305	2,464
Interest expenses	(24)	(28)	(46)	(372)
Foreign exchange gain	388	—	—	—
Dividend income	386	569	1,137	9,179
Loss on sale/disposal of property	(48)	(57)	(218)	(1,758)
Loss on disposal of inventories	(105)	(69)	—	—
Loss on write-down of marketable securities and investments in securities	(69)	—	(1,777)	(14,344)
Loss on write-down of golf club membership	—	—	(169)	(1,367)
Gain on sale/disposal of marketable securities	3	18	459	3,705
Loss on sale/disposal of investments in securities	(21)	—	—	—
Gain on sale/disposal of investments in affiliates	—	512	2,541	20,509
Loss on liquidation of business segment	(323)	(704)	(794)	(6,410)
New share issue expenses	—	(254)	(6)	(50)
Loss on investments in partnership	—	(73)	(742)	(5,987)
Loss on closure of offices	—	(90)	—	—
Amortization of long term prepaid expenses	(137)	—	—	—
Other, net	56	41	(160)	(1,287)
	435	228	530	4,282
Income before income taxes	3,297	3,794	4,546	36,694
Income Taxes				
- Current	1,550	1,594	2,148	17,343
- Deferred	—	(119)	(164)	(1,326)
Net income	¥ 1,747	¥ 2,319	¥ 2,562	$ 20,677

	Yen			U.S. Dollars
Per Share:				
Net income	¥ 81.9	¥ 99.9	¥ 105.2	$ 0.85
Cash dividends	¥ 20.0	¥ 20.0	¥ 20.0	$ 0.16
Weighted average number of shares (in thousands)	21,344	23,210	24,362	24,362

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, 1999, 2000 and 2001

		Millions of Yen					
	Number of shares of common stock	Common stock	Additional paid-in capital	Legal reserve	General reserve	Retained earnings
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
Cash dividends	—	—	—	—	—	(487)
Transfer to legal reserve	—	—	—	56	—	(56)
Directors' bonuses	—	—	—	—	—	(70)
Transfer to general reserve	—	—	—	—	1,700	(1,700)
New share issue with merger on December 1, 2000	52,410	42	776	—	—	—
Net income for the year ended March 31, 2001	—	—	—	—	—	2,562
Balance as at March 31, 2001	24,397,023	¥ 29,066	¥ 30,623	¥ 357	¥ 12,900	¥ 2,753

	Thousands of U.S. Dollars (Note 3)				
	Common stock	Additional paid-in capital	Legal reserve	General reserve	Retained earnings
Balance as at March 31, 2000	$234,252	$240,895	$2,433	$90,395	$20,207
Cash dividends	—	—	—	—	(3,930)
Transfer to legal reserve	—	—	449	—	(449)
Directors' bonuses	—	—	—	—	(565)
Transfer to general reserve	—	—	—	13,721	(13,721)
New share issue with merger on December 1, 2000	340	6,263	—	—	—
Net income for the year ended March 31, 2001	—	—	—	—	20,677
Balance as at March 31, 2001	$234,592	$247,158	$2,882	$104,116	$22,219

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

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 non-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 and 2001, in accordance with a new accounting standard introduced in 2000. The statement of cash flows for the years ended March 31, 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 and cash flows 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 ¥123.90=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 ¥123.90=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.	¥653	80.0	From eConsulting to eMarketing, a comprehensive interactive agency.
Asahi MKC Inc.	¥100	75.0	Latest, State-of-the-art training and education methods to develop human resources capable of succeeding in the IT age.
BEST CAREER CO., LTD.	¥30	100.0	Providing the optimal service and highest quality manpower in all areas for all businesses.
C-Three Inc.	¥200	66.0	Support for construction, deployment, operation and actual design of CAD, CAM, CAE, PDM and RPT systems indispensable for the manufacturing industry in product planning and design.
eVentures Inc.	¥100	60.0	Supporting Japanese Internet venture firms.
J-Stream Inc.	¥1,026	55.7 (55.7)	Broadcasting infrastructure bringing mass media capability to the Internet.
Mac Interface Co., Ltd.	¥524	66.9 (26.9)	Provides consulting, design, development and execution support for building Internet systems.
Techno Bouquet Inc.	¥160	100.0	Specialist in business process outsourcing, from data base construction to call center operation.
Overseas			
EnCompass Group Inc.	$45.0	90.0 (90.0)	U.S. venture capital investments.
Network Asia	$46.9	96.8 (96.8)	Asian base for TRANS COSMOS IT investments.
Trans Cosmos Information Creative (China) Co., Ltd.	RMB 81.9	100.0 (100.0)	Trans Cosmos System Integration (SI) Division's Base in China.
Trans Cosmos USA, Inc.	$296.8	100.0	US base for TRANS COSMOS IT investments. Assisting the evolution of "eOutsource Integration"

( ) indicates indirect ownership.

Offices and Related Facilities

■Headquarters

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Sapporo Office
Sumitomo Shoji Sapporo Building
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Sendai Office
Miyagino Center Building
4-5-22 Zakuro-oka, Miyagino-ku, Sendai, 983-0852 Japan
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Nagoya Office
Nagoya KS Building
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Wakayama Office
Wakayama Nisseki Kaikan Building
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Hiroshima Office
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■CRM Solution Center

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2-2-18 Awaza, Nishi-ku, Osaka, 550-0011 Japan
Tel: 81-6-6535-2761 Fax: 81-6-6535-2766

Sapporo/ Sumitomo Shoji Sapporo Building
1-6 Kitaichijo-Higashi, Chuo-ku, Sapporo,
060-0031 Japan
Tel: 81-11-221-6024 Fax: 81-11-221-6037

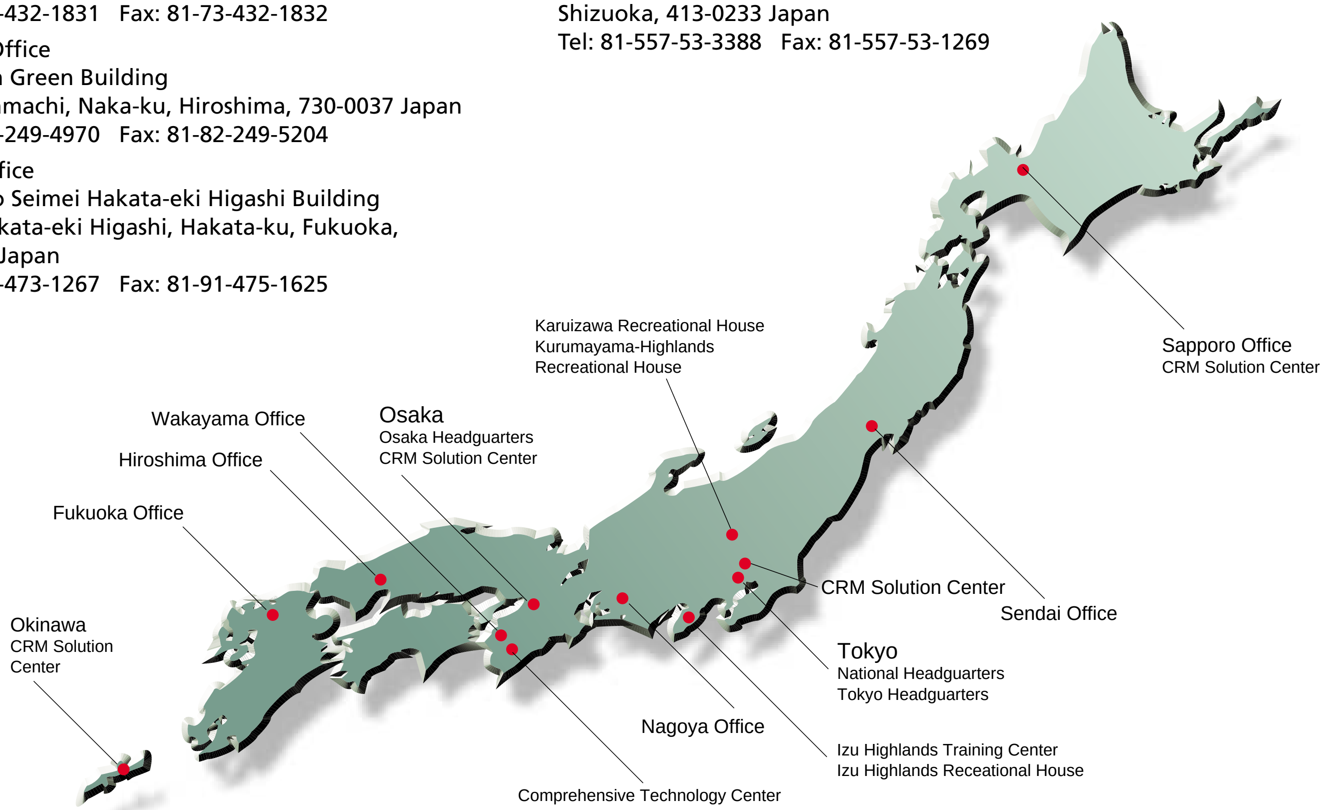
Okinawa/ Okinawa-shi Telework Center
1-32-7 Chuo, Okinawa-shi, Okinawa,
904-0004 Japan
Tel: 81-98-982-1311 Fax: 81-98-921-0130

■Other Facilities

Public System Operations Department
Wakayama Research Laboratory 4th Floor,
11 Minami-Akasaka, Kainan,
Wakayama, 642-0017 Japan
Tel: 81-734-84-2060 Fax: 81-734-82-0195

Comprehensive Technology Center
17 Minami-Akasaka, Kainan,
Wakayama, 642-0017 Japan
Tel: 81-73-484-2401 Fax: 81-73-484-2404

Izu Highlands Training Center
181-10 Ukiyama, Akasawa, Ito,
Shizuoka, 413-0233 Japan
Tel: 81-557-53-3388 Fax: 81-557-53-1269



Directors and Statutory Auditors

As of June 28, 2001

Chairman, President & CEO; Representative Director
Koki Okuda

Vice Chairman
Ichizo Nakai
Isamu Sagara

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

Senior Managing Directors
Hideaki Ishioka
Mitsuo Ishii
Kuniko Ishikawa
Toshikazu Tanizawa

Managing Directors
Hirotaka Uehata
Tatsushi Maekawa
Takahide Murao
Akihiko Soyama
Shinichi Misawa
Uju Yamazaki
Kazuhiko Sugiura

Directors
Hiroshi Kaizuka
Akira Miyake
Norio Ueno
Shuichi Tamura
Tsugio Kanno
Masayuki Tada
Koji Okamoto
Tsunetaka Miyaryo
Ji-Hyun Lee
Takuo Sakaguchi
Masahiro Ueno

Standing Statutory Auditor
Kenkichiro Ohkubo

Statutory Auditors
Masao Saito
Kazumi Miyata
Katsumi Eguchi

Corporate Data

As of March 31, 2001

Company Name: TRANS COSMOS Inc.
Incorporated: June 18, 1985
Paid-in Capital: ¥29,066 million
Number of Employees: 4,955
Number of Authorized Shares: 90,088,176
Number of Issued Shares: 24,397,023
Number of Shareholders: 31,639

Principal Shareholders

Name	Number of Shares held	Percentage of total issued Shares
	(thousands)	(%)
Koki Okuda	4,739	19.43
Masataka Okuda	2,104	8.63
Mihoko Hirai	1,042	4.27
Okuda Scholarship Association	876	3.59
The Mitsubishi Trust and Banking Corporation	847	3.47
Japan Trustee Services Bank, Ltd.	512	2.10
The Nomura Trust and Banking Co., Ltd.	300	1.23
The Sanwa Bank, Limited	285	1.17
WAPI	278	1.14
Bankers Trust No.1	250	1.02
Total	11,237	46.06

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

	High	Low
1998	¥ 3,510	¥2,080
1999	5,300	2,100
2000	56,000	5,000
2001	27,000	3,700

TRANS COSMOS

National Headquarters
Sumitomo Seimei Akasaka Building
3-3-3 Akasaka, Minato-ku, Tokyo, Japan 107-0052
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http://www.trans-cosmos.co.jp

Printed in Japan