TRANS COSMOS
People & Technology

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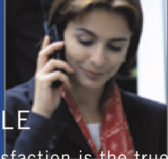
The Marketing Chain Management Company

ANNUAL REPORT 2002

TRANS COSMOS
People & Technology



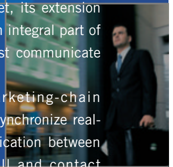
PROFILE

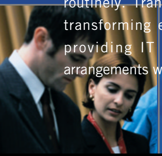
Client satisfaction is the true value of our company. Our commitment: Providing truly user-oriented outsourcing services.

Trans Cosmos has been a pioneer in Japan's information-processing outsourcing business since its inception in 1966. We have consistently worked to raise the level of satisfaction among our client companies by combining outstanding people with the latest in information technology to deliver high value-added services. IT investments become meaningful only after new systems have been used over an extended period and start contributing to increased productivity. In our business, we set up a value chain that creates a cycle of dynamic improvement. Because highly skilled people staff our outsourcing services, not only are IT systems used effectively, but problems that arise in the course of day-to-day operations also get resolved. Our people work closely with our clients to generate effective solutions.

As technology has advanced, so have we. We started out working on large mainframes, then moved to client/server systems, then PCs; now we're just as familiar with Internet-based systems. But regardless of platform, the importance of the business practices we have developed and refined over the years remains undiminished. Our 36 years of IT and customer-service outsourcing experience enable us to provide exceptional guidance for technology deployments and business-process innovations alike.

Now in the 21st century, with the arrival of broadband, the Internet is poised to become a new lifeline that consumers use routinely. Trans Cosmos will continue to contribute in this transforming economy with our strongest-still yet area—providing IT support to end-users under outsourcing arrangements with client companies.





The Marketing Chain Management Company

Marketing-chain management is the service model we have developed out of our extensive experience, for transforming the way we conceptualize and practice marketing in the 21st century. Thanks to a rapid succession of changes in our technological milieu—the arrival of the Internet, its extension by broadband, and the use of the Internet as an integral part of corporate infrastructure—companies can at last communicate directly with consumers.

We are pioneers in offering true marketing-chain management services based on our ability to synchronize real-time marketing activities with direct communication between businesses and consumers through our call and contact centers. We consider Trans Cosmos to be "the marketing-chain management company" and have adopted that as our corporate slogan.

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FINANCIAL HIGHLIGHTS

CONSOLIDATED STATEMENTS OF INCOME

Years ended March 31	Millions of Yen (except per share data) 2002	2001	2000	Thousands of U.S. Dollars* (except per share data) 2002	Percent Change 2002/2001
Net sales	¥70,232	¥87,711	¥48,882	$527,069	-19.9%
Gross profit	(894)	26,228	13,638	(6,709)	—
Operating income	(14,173)	12,821	4,665	(106,364)	—
Net income	(17,612)	4,205	1,391	(132,172)	—
Net income per share	¥ (721.9)	¥ 172.6	¥ 59.9	$ (5.42)	—

CONSOLIDATED BALANCE SHEETS

March 31	Millions of Yen 2002	2001	2000	Thousands of U.S. Dollars 2002	Percent Change 2002/2001
Total current assets	¥51,421	¥69,005	¥58,194	$385,899	-25.5%
Total current liabilities	10,945	19,068	11,459	82,139	-42.6%
Total long-term liabilities	3,139	3,875	1,641	23,557	-19.0%
Total shareholders' equity	64,321	79,552	68,164	482,709	-19.1%

NON-CONSOLIDATED STATEMENTS OF INCOME

Years ended March 31	Millions of Yen (except per share data) 2002	2001	2000	Thousands of U.S. Dollars* (except per share data) 2002	Percent Change 2002/2001
Net sales	¥54,514	¥49,626	¥39,386	$409,110	+9.9%
Gross profit	10,821	10,494	8,794	81,208	+3.1%
Operating income	4,036	4,016	3,566	30,289	+0.5%
Net income	316	2,562	2,319	2,371	-87.7%
Net income per share	¥ 13.0	¥ 105.2	¥ 99.9	$ 0.10	-87.6%
Cash dividends per share	¥ 20.0	¥ 20.0	¥ 20.0	$ 0.15	—
Weighted average number of shares (thousand)	24,362	24,362	23,210	24,362	—

NON-CONSOLIDATED BALANCE SHEETS

March 31	Millions of Yen 2002	2001	2000	Thousands of U.S. Dollars 2002	Percent Change 2002/2001
Total current assets	¥20,968	¥29,028	¥32,542	$157,358	-27.8%
Total current liabilities	7,230	11,977	5,861	54,259	-39.6%
Total long-term liabilities	3,250	3,636	292	24,390	-10.6%
Total shareholders' equity	75,531	76,241	72,876	566,837	-0.9%

*U.S. dollar amounts are translated from yen, solely for convenience, at the rate of ¥133.25=U.S.$1.

TO OUR SHAREHOLDERS

Chairman, President & CEO
KOKI OKUDA

Basic management policy

Trans Cosmos has been a pioneer in the field of data processing outsourcing since its founding in 1966. Adopting a customer first approach, we have sought to raise the level of customer satisfaction by creating an organization that combines the best IT personnel with the latest technology to deliver high quality services. Top-flight IT personnel gives us the ability to respond precisely to the needs of our customers, and by maintaining a steady focus on current trends, we have found technologies ideally suited to client companies. We will continue to refine our business, work to expand globally, and pursue our ultimate goal of bringing people and technology together. Our logo incorporates the phrase People & Technology to reflect our commitment to bringing user-friendly technology closer to our daily lives.

On the basis of this management policy as well as our action guidelines, we seek to expand our business as a comprehensive and independent information services company with a view to contributing to the increasingly sophisticated, diverse, and global information society, and to winning the confidence and meeting the expectations of our shareholders, client companies, employees, and other stakeholders.

Basic policy on profit distribution

Returning profits to shareholders is a priority issue at Trans Cosmos. Our basic policy is to pay a dividend that is fair to past, present, and future shareholders in light of current madvances in information systems and changes in the business environment, establishing a framework to develop new services and technologies from a global perspective, and maintaining and enhancing the Company's competitive strength.

Based on this policy, we plan to pay a dividend of ¥20 per share in March 2002 fiscal year.

Medium-term business strategy

The rapid spread of broadband services, forecasted to reach nearly 10 million households within the year, is revolutionizing corporate marketing. Companies and consumers are now directly connected via the internet and segment-specific video commercials and interactive communications have become commonplace. We developed our corporate vision for the upcoming five years and chose our slogan—The Marketing Chain Management Company—in light is this environment. We aim to achieve future growth and development by positioning marketing chain management as a core service. With real-time analysis of customer information gathered at call and contact centers and prompt and continuous feedback on corporate marketing activities, marketing chain management delivers an unprecedented ability to measure the results of sales promotion expenditures and thereby contribute to expanding sales and reducing costs at client companies.

Our corporate vision statement classifies the Company's service domains into the broad categories of "marketing contact centers" for connecting client companies and customers and "back office support" for assisting companies with day-to-day data processing operations. The vision statement establishes four business domains: the 1) marketing chain management business, 2) call and contact center business, 3) back office support and data solutions business, and 4) engineering solutions business. The statement also establishes the 5) consulting business and 6) systems integration business to add value to the previous four businesses, and the 7) IT training business and 8) IT personnel business to ensure a stable supply of highly skilled IT personnel. We will draw on the expertise and experience in business operations and outsourcing that we have gained over the years to assist client companies in managing and developing their business.

Business targets

Based on the foregoing measures, we look for annual sales growth of 20% or higher and an improvement in the gross profit margin. We are working to increase return on equity (ROE) and target a ratio of ordinary income to sales of at least 10% and net income per share of ¥200 in the near-term.

Current challenges

Over the next five years, the Trans Cosmos Group will focus on marketing outsourcing such as internet-based corporate advertising, public relations, sales promotion, and sales support while at the same time improving current after-sales services at call centers. We will combine these elements to implement the new concept of "marketing chain management." By understanding and responding in real-time to the needs of our clients and their customers, we hope to maximize our contribution to expanding sales and reducing costs at client companies.

Marketing chain management is the key to future growth and development at Trans Cosmos. This new solutions concept brings together the Company's entire range of past experiences to create a marketing revolution. The emergence of the internet and spread of broadband services is changing the business environment as these become an essential part of business infrastructure. Information technology has given companies the ability to communicate directly with consumers. In this environment, the Trans Cosmos Group is a leader in providing services that synchronize real-time marketing activities with direct communication between companies and consumers to achieve marketing chain management. Hence our slogan, The Marketing Chain Management Company.

We believe that growth of the Trans Cosmos Group on the basis of this concept will serve to enhance shareholder value as well as to contribute to the betterment of society.

Measures to improve corporate governance

Responding swiftly and accurately to new demands created by the growing sophistication and diversity of information systems requires management that develops and implements new strategies on an ongoing basis.

Trans Cosmos regards each business division as a single corporate entity under the direction of a general manager. This organization enables the swift implementation of business strategy and tactics.

General managers of business divisions are generally executives at the level of director or higher. We find the management structure appropriate because it establishes a mission for each director for each fiscal year and clarifies their responsibility for achieving targets.

The Corporate Strategy Division formulates a medium- to long-term company-wide management vision, and critical management decisions are made by executives at a level of vice-president or higher that have the representative authority of the CEO.

Trans Cosmos appoints a fair number of directors that have a wealth of experience at other companies, which serves to invigorate the Corporate Executive Committee. However, we believe the Committee requires further reform in order to improve corporate governance and to achieve fair and transparent management.

Trans Cosmos introduced a stock option plan last year in an effort to enhance enterprise value by creating a common set of interests between directors and shareholders. At the same time, we abolished executive retirement allowances with a view to increasing transparency and creating a stronger link between executive salaries and business performance.

Trans Cosmos also appointed two corporate advisors in an effort to strengthen auditing functions.

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

Koki Okuda
Chairman, President & CEO
Trans Cosmos, Inc.

TRANS COSMOS AT A GLANCE

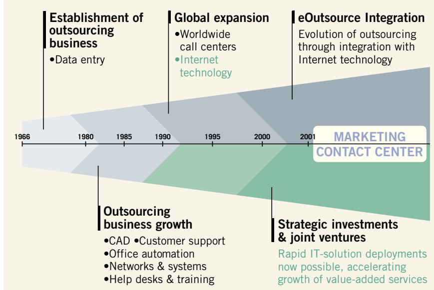
Built on 36 years of growth and experience:
Trans Cosmos' advanced marketing contact centers

The scope of Trans Cosmos businesses

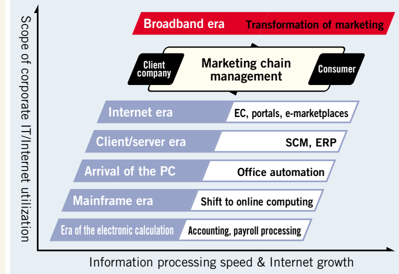
Our comprehensive outsourcing services for managing business/consumer interactions range from consulting, systems integration, and back-office support, to marketing contact centers.

Trans Cosmos Group is aggressively expanding its marketing outsourcing services in support of Internet-based advertising, publicity, sales promotion, and sales activities, while further enhancing our existing contact-center-based after-sales service business. By putting the two together, we are able to achieve an entirely new concept in service—what we call "Marketing Chain Management." We make a maximal contribution to our clients' sales growth and cost savings by rapidly assessing the needs of our clients and their end-users, using this information to provide real-time marketing solutions, and responding to end-users through our contact center operations—which also have our back-office support services behind them.

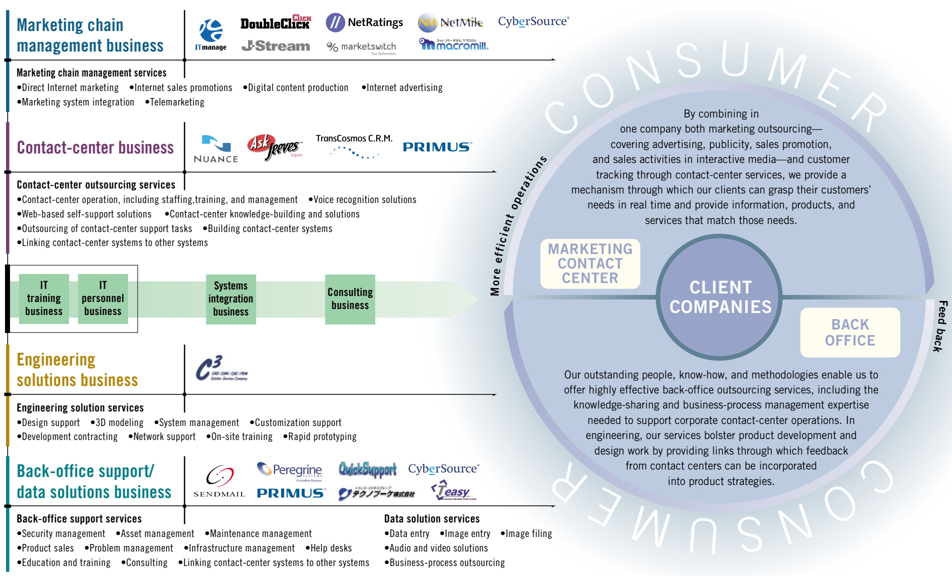
The development of Trans Cosmos as an outsourcer



Eras in our industry, as defined by Trans Cosmos



Trans Cosmos' service domain



IT Manage, Inc.
A services provider working to enhance clients' profitability and development of multi-location businesses through the extension and productivity-boosting reuse of technology and knowledge with a competitive advantage.

Marketswitch Japan KK
Markets only the products best suited for individual target customers using one-to-one marketing-optimization technology that maximizes returns.

C-Three Inc.
Provides assistance in the construction, implementation, and operational support of the CAD/CAM/CAE/PDM/RPT systems indispensable to the manufacturing sector, as well as practical product design, beginning with the product conceptualization and schematic design phases.

J-Stream Inc.
Rich-content delivery services over broadband, including streaming and download.

CyberSource KK
E-commerce site operator. Provides a stored-value service using sales-promotion and small-sum transaction-settlement tools.

Sendmail
Provides email-system operations, incl uding functions such as central management of email distribution systems, server monitoring, and email-system settings through easy-to-use Japanese-language GUIs, as well as log reporting.

NetRatings Japan Inc.
Researches Internet-user trends. Covers personal information, access times, and information users obtain. Analyzes viewer rating statistics.

Nuance
Developer and marketer of voice-recognition software for telephone applications. Software increases the efficiency of call-center work and helps lower total costs by automating telephone- and question-answering.

Peregrine Systems
Makes the centralized management of asset data a reality. Enables TCO analysis and the formation of IT investment strategies by pegging asset data saved in discrete files to the associated assets.

DoubleClick Japan Inc.
Internet advertising delivery and management service. Distributes ads to targeted user segments.

Ask Jeeves Japan Co., Ltd.
Contributes to raising customer satisfaction and enhancing the efficiency of customer support services by swiftly guiding consumers to the answers to their questions on corporate Web sites.

QuickSupport
Makes possible the seamless operation of help-desk services spanning email and the Web as well conventional phone-based help desks.

Macromill, Inc.
A new Internet-research ASP. Automates the preparation, administration, and tabulation of surveys.

Trans Cosmos CRM Sapporo Inc. / Trans Cosmos CRM Okinawa Inc. / Trans Cosmos CRM Miyazaki Inc.
Operators of multi-media–based call centers. IT solutions are implemented proactively to automate contact-center processes.

TechnoBouquet Inc.
A specialist in business process outsourcing. Covers all associated areas from the building of databases to the operation of call centers.

Netmile, Inc.
Provides on-line point programs as a marketing tool for gaining and keeping customers.

Primus Knowledge Solutions, K.K.
Develops troubleshooting and knowledge-assisted software and at the same time builds systems for building up, searching, and sharing knowledge in order to provide efficient, high-quality contact center support services.

Teasy
A provider of training systems. Uses the comprehensive management of distance- and group-learning to give customers access to business-process training as well as the means to improve their employees' IT literacy.

The call-center business

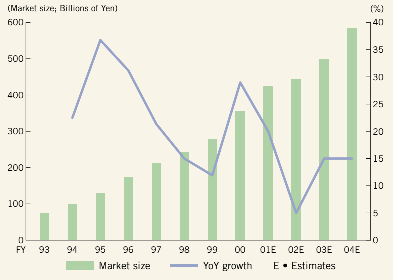
Call centers are one of Trans Cosmos' leading lines of business. What follows is 1) an analysis of the call-center market by Deutsche Securities and 2) a discussion of Trans Cosmos' strategy in this market.

I. Deutsche Securities' market analysis

Market scale

Reliable public statistics on the scale of the call-center market are unavailable. A Ministry of Economy, Trade, and Industry (METI) survey estimated the market at ¥148.2 billion in 2000. A Nihon Ryutsu Sangyo Shimbun (a weekly journal for non-store retailing sector) survey estimated that the sales of only the top 30 companies in the segment amounted to ¥260 billion. Deutsche Securities applied its own analytical methods to the Nihon Ryutsu Sangyo Shimbun statistics to arrive at an estimate of ¥350 billion for the total market in fiscal year 2001. Deutsche Securities' estimates are of outsourced call-center services only and thus include neither call centers that companies operate on their own behalf nor merchandise sales made through call centers.

Call-center market size and growth trends



Evolution of the business

Outsourced secretarial services for small businesses and sole proprietors were the precursors of today's call-center business. The first big boost came with the December 1985 launch of toll-free numbers (called "Free Dial" in Japan), which rapidly drove growth of mail-order services. Further growth in demand for call-center services came from the telecoms sector. In the later half of the 1980s Many new common carriers (NCCs) outsourced the task of taking new applications over the phone, and then mobile-phone operators did the same in the later half of the 90s. Since 2000, call-center services for financial institutions have been shifting to a multiple-channel approach that includes email and Web-based customer interfacing and incorporating customer-relationship management (CRM) [systems], thus driving growth further. In telecoms, Deutsche Securities estimates that "Myline" applications, telemarketing calls, and other non-routine demand sources contributed some ¥40 billion industry-wide from the second half of FY01 through the first half of FY02.

Medium- to long-term growth potential

Despite an anticipated FY03 year/year dip in reaction to FY02's one-off "Myline" demand bubble, Deutsche Securities believes call centers have strong medium- to long-term growth potential. Although financial institutions and users in distribution and retailing are moving toward 24x7 service on the Web, many call centers still close down in the evenings. Even among those that do not shut down, many do not have enough agents on hand and are unable to handle the high call volumes in the busy evening hours, meaning that many calls go unanswered. As consumer lifestyles diversify, demand for 24x7 call-center services will only continue to grow.

A large reserve of potential demand growth also lies in the business-to-business area. Most large corporations have large numbers of their own sales people, as well as employees of sales subsidiaries, dealers, and stores. There is little reason why employees need be assigned basic tasks as responding to product inquiries from such far-flung internal and external sales people. Though some business-to-business tasks such as these are being assigned to specialized agents, for the most part this potential market remains untapped. Deutsche Securities considers it highly likely that such tasks will soon be subject to outsourcing.

Deutsche also believes the manufacturing and utilities sectors will generate the greatest demand growth over the medium term.

Source: "Call Center Business Report," March 26, 2002, Deutsche Securities, Tokyo Branch, IT Service (by Naoshi Nema and Takashi Oya)

II. Trans Cosmos' call-center strategy

Background

Trans Cosmos has provided its clients with help-desk services since its inception in 1966, passing through many stages of technology from mainframe and office mainframe computers to client/server systems. Personal computers (PCs) proliferated in offices during the client/server era, and also began to rapidly penetrate the consumer market from the late 80s. Trans Cosmos saw an opportunity to enter the call-center market by extending to consumers the kind of help-desk services it had long provided to corporations. The company began by extending its technical support know-how to consumers, initially only in PCs, but then also in peripherals. With the arrival of the Internet, the company also began providing network support on behalf of ISPs. Trans Cosmos now enjoys a strong advantage over competitors in technical-support outsourcing based on the path it took in entering the field.

Positioning within the call-center industry

Trans Cosmos did not initially define itself primarily as a call-center operator. Rather, call-center sales grew naturally out of the process of extending corporate help-desk services to end-user consumers in the form of technical support lines. The company is currently third in Japan in sales from call-center operations and enjoys an overwhelming advantage in the field of technical support for computers, peripherals, and ISPs. Looking ahead, the company plans to further expand its market share by branching out beyond technical support, adding new marketing-support services for the fields of finance, telecoms, medicine, pharmacy, and distribution.

Competitive differentiations and factors behind rapid growth

Trans Cosmos' strength lies it its ability to creatively combine people and technology to deliver high value-added services. Because a high percentage of the company's work is in technical support, roughly half of all employees have been given specific training in this area. The high proportion of trained full-time employees adds to the company's ability to provide high-quality service, though it also has a slightly negative effect on the cost-competitiveness of its services. To make up for this, Trans Cosmos minimizes costs by bringing together optimal combinations of skilled personnel and leading-edge technology while raising customer satisfaction. For example, the company is aggressively deploying leading-edge technologies in voice recognition and Web-based self-support to both cut costs and increase added-value by automating aspects of call-center functions. This creates a solution in which technology can handle routing inquiries fully automatically, reserving agents' time for responding to specialized or non-routine inquiries. Since 1995, Trans Cosmos has actively invested in relevant advanced technologies under development in the United States, and adopts technologies—such as Web-based self-support systems—it deems capable of making its call centers more efficient and effective.

Challenges and earnings growth strategy

To grow sales, Trans Cosmos streamlined its resource deployments by clearly defining its core business domains and restructuring based on those definitions. While continuing to expand sales in its strength area of technical support, the company also plans to expand sales in new marketing-support services for fields such as finance, telecoms, and distribution.

To boost earnings, Trans Cosmos is shifting from a personnel structure heavily weighted toward long-term employees toward greater use of contract and part-time employees in cases in which such arrangements still fully meets client needs. The company also plans to avoid a price war by aggressively introducing new technologies into call-centers and raising value added, while boosting gross margins through measures such as personnel-portfolio adjustments and reductions of the cost of goods sold.

RESULTS OF OPERATIONS AND FINANCIAL POSITION

I. Results of Operations

1. FY March 2002 highlights

Overview of FY March 2002 results

Japan's economy continued to show no signs of recovery in FY3/02. Private sector financing was more restrained as bad loans in the banking sector came under renewed scrutiny, and adding to weak capital investment, deflationary concerns depressed consumer spending and stock prices. Moreover, the previously robust US economy slowed in the wake of the 9/11 terrorist attacks. Japan's stock market stagnated with the Nikkei average dipping below the ¥10,000 level. Private sector capital investment declined and industrial orders and consumer spending slumped.

In this economic climate, IT-related investment stagnated from 2H, creating a difficult business environment for the Company's main IT outsourcing business.

Trans Cosmos provides a complete range of outsourcing services to client companies through the six businesses under the jurisdiction of the Business Strategy Division. The customer relationship management (CRM) business assists client companies in the area of customer services, the corporate business solutions (CBS) business provides back office support, the data solutions (DS) business helps convert analog data into a digital format, the engineering solutions (ES) business assists with product development and design, the systems integration (SI) business develops systems suited to the operations of client companies, and the consulting business provides services based on a wealth of past achievements.

In the CRM business, the CRM Department II was established in FY3/02 to provide marketing support services. This business achieved annual growth of over 20% by moving into the new areas of finance and IT to supplement its traditional strength in technical support. The ES business achieved annual growth of nearly 17% on a strong performance by 3D design support services for the automotive industry. The Business Development Division proposed measures to help affiliated companies boost sales and competitiveness and to create synergies between Trans Cosmos and its affiliates.

FY3/02 marked the first year of the broadband era as rapidly declining prices for xDSL and other services made broadband access available to general consumers. These changes in the IT environment sparked a marketing revolution by establishing a direct link between companies and consumers. Previous marketing activities, especially those targeted at mass audiences, were characterized by an indirect relationship between consumers and companies. This made it difficult to gauge the cost effectiveness of marketing expenditures and to reflect consumer reaction in the next round of marketing. Broadband has removed these constraints and opened the possibility for call and contact centers to provide centralized management of customer information.

To meet the challenges of the new era, Trans Cosmos announced broadband advertising solutions in December 2001. The new service combines customer information management and a one-to-one marketing platform to help optimize the process of increasing customer loyalty in terms of targeting and acquiring new customers and in maintaining and nurturing current customers.

Looking at the venture capital segment, sales and operating income received a substantial boost in FY3/01 as the strong US stock market in 1H prompted the aggressive sale of operating investment securities. In FY3/02, however, the segment reported an operating loss as a result of an ¥18,743 million loss on valuation of operating investment securities—mainly unlisted stocks of US companies—due partly to the rapid decline in the US stock market.

Under the foregoing circumstances, consolidated sales totaled ¥70,232 million, a decline of ¥17,479 million or 19.9% YoY.

The information services segment reported sales growth but a decline in operating income. The venture capital segment reported a sales decline and operating loss on stock valuation losses. This resulted in a consolidated operating loss of ¥14,173 million, a sharp decline of ¥26,994 million YoY.

Extraordinary losses included a loss on valuation of investment securities involving domestic stocks with little prospect of a recovery in prices, and a business restructuring loss for the closure or liquidation of affiliates. This resulted in a consolidated net loss of ¥17,612 million, a decline of ¥21,817 million YoY.

(Results by segment)

On strong sales in the CRM and ES businesses, the information services segment reported sales of ¥66,157 million, an increase of ¥6,233 million or 10.4% YoY, and operating income of ¥8,188 million, an increase of ¥1,323 million or 19.3% YoY.

Incurring stock valuation losses, the venture capital segment reported sales of ¥4,075 million, a decline of ¥23,712 million or 85.3% YoY, and an operating loss of ¥18,537 million, a decline of ¥28,734 million YoY.

(Results by region)

Domestic sales totaled ¥65,279 million, an increase of ¥6,574 million or 11.2% YoY, on strong sales in the CRM and ES businesses. Operating income totaled ¥8,340 million, an increase of ¥924 million or 12.5% YoY.

In the US, stock valuation losses in the venture capital segment resulted in sales of ¥4,711 million, a decline of ¥24,164 million or 83.7% YoY, and an operating loss of ¥13,141 million, a decline of ¥23,410 million YoY.

In Asia, despite sales of ¥242 million, an increase of ¥111 million or 84.7% YoY, stock valuation losses in the venture capital segment resulted in an operating loss of ¥5,628 million, a decline of ¥5,354 million YoY.

	Millions of Yen			Yen
Years ended March 31,	Sales	Operating income	Net income	EPS
2002	¥ 70,232	¥ (14,173)	¥ (17,612)	¥ (721.9)
2001	87,711	12,821	4,205	172.6
Change	¥ -17,479	¥ -26,994	¥ -21,817	¥ -894.5
Percent change	-19.9%	—	—	—

2. FY March 2003 forecast

The outlook on Japan's economy in 1H FY3/03 is clouded by concerns over deflationary conditions and sluggish consumer spending and capital investment. Looking at the global economy, however, the US economy is recovering faster than expected following the terrorist attacks. The decline in Japanese exports is bottoming and production is showing signs of improvement thanks to inventory adjustments, especially in the IT sector. The domestic economy is expected to pick up in 2H, driven by higher exports on a recovery in the US economy.

Given this economic environment, we expect that client companies will be pressed to cut SG&A expense and other costs, leading to higher demand for outsourcing as a way to reduce costs and expand sales. We see a growing trend toward outsourcing call and contact center administration as well as back office operations—work that had previously been handled in-house or by group companies—to specialized companies equipped with the latest technology and staffed by highly experienced personnel.

In 1H, however, we forecast lower demand as prices for personal computers move higher on a spike in liquid crystal and semiconductor prices caused by higher costs for procuring materials from overseas due to the weak yen. As Trans Cosmos provides a high proportion of technical support services, we are concerned that sales may decline for call and contact center administration and other related services. Nevertheless, given trends toward a higher rate of outsourcing, deregulation in all industries, and heightened emphasis on customer satisfaction, we expect the markets for call and contact center services and back office support services to see double-digit annual growth from 2H. At the same time, we must improve our proposal and technical capabilities to better respond to harsh industry conditions that include falling service prices and intensifying competition. Trans Cosmos aims to raise profit margins by delivering high value-added services.

For the Trans Cosmos Group to seize the business opportunities available in this deflationary environment, we must strengthen our organization as a marketing chain management company and secure the personnel and advanced technology required to meet the solutions needs of our customers. In an effort to create a high profit structure, we implemented organizational changes on April 1, 2002 and are working to cut costs company-wide and improve our gross profit margin. In the call and contact center business, we look to increase sales and raise the proportion of technology-driven marketing support services. In the back office support business, we look to enhance administrative services as well as development-related support. We also seek to capitalize on synergies between Trans Cosmos and affiliated companies, launch the marketing chain management business, and provide support in expanding sales at call and contact centers.

The venture capital segment sustained valuation losses in FY3/02, primarily for unlisted shares of US companies. Going forward, we will sell off operating investment securities of companies that are not expected to produce synergies with our business. Our policy is to prudently sell listed shares upon review of stock market conditions and unlisted shares after searching for a business partner. Nevertheless, we will continue to hold shares and invest in new business development of companies that we expect to produce synergies with our business.

II. Financial position

Consolidated total assets at year-end were down ¥23,985 million YoY at ¥79,907 million. Current assets were down ¥17,584 million YoY at ¥51,421 million, due mainly to a ¥16,073 million decline in operating investment securities owing to impairment write-down, partial sale, and lower unrealized gains. Investments and Advances were down ¥9,645 million YoY at ¥14,490 million, due to loss on write down of investments in securities and affiliates. Current liabilities were down ¥8,123 million YoY at ¥10,945 million on a decline in interest-bearing debt. Long-term liabilities were down ¥736 million YoY at ¥3,139 million. Shareholders' equity was down ¥15,231 million YoY at ¥64,321 million, due to an ¥18,215 million YoY decline in consolidated retained earnings on a net loss of ¥17,612 million, and to a lower gain on valuation of other securities.

Despite year-end interest-bearing debt of approx. ¥3.3 billion, the Company has adequate funds, with the balance of cash and cash equivalents at approx. ¥13.7 billion.

Consolidated cash flows at the fiscal year-end

Cash and cash equivalents totaled ¥13,784 million, a decline of ¥6,997 million YoY, due to a reduction in interest-bearing debt and efforts to improve funding efficiency by reducing liquidity on hand through the establishment of commitment lines with financial institutions.

(Cash flows from operating activities)

Net cash used in operating activities totaled ¥1,610 million, declining YoY due to the substantial sale of operating investment securities in FY3/01.

(Cash flows from investing activities)

Net cash provided by investing activities totaled ¥783 million, due mainly to the withdrawal of time deposits and sale of investment securities to cover other investment expenditures.

(Cash flows from financing activities)

Net cash used in financing activities totaled ¥8,712 million, due mainly to the repayment of borrowings and redemption of commercial paper.

Capital investment totaled ¥1,174 million in FY3/02 as the Company made aggressive forward investment to enhance its capabilities in providing system development and system administration services for call and contact centers. Investments included the founding of Customer Interaction Center Korea Inc. as a joint venture with South Korea's DACOM Corporation and the establishment of contact centers in Shinjuku, Tokyo and Miyazaki.

Trans Cosmos is not currently planning any major investments or expenditures in FY3/03, and our financial position should remain virtually unchanged from FY3/02. We do plan to continue capital investment in call and contact centers as this business expands.

We also do not anticipate at this time any events that would significantly impact cash flow.

CONSOLIDATED BALANCE SHEETS

At March 31, 2002 and 2001

ASSETS	Millions of Yen 2002	Millions of Yen 2001	Thousands of U.S. Dollars (Note 4) 2002
Current Assets:			
Cash, Time deposits and commercial paper	**¥11,746**	¥ 21,181	**$ 88,150**
Marketable securities (Note 4)	**2,058**	1,601	**15,445**
Investments in securities for operating purposes	**15,796**	31,869	**118,544**
Notes and accounts receivable:			
Customers	**9,870**	9,659	**74,071**
Unconsolidated subsidiaries and affiliates	**63**	97	**473**
	9,933	9,756	**74,544**
Less: allowance for bad doubt	**(170)**	(105)	**(1,276)**
	9,763	9,651	**73,268**
Job and software in progress and merchandise (Note 5)	**617**	1,450	**4,631**
Income taxes refundable	**4,007**	—	**30,071**
Deferred tax assets (Note 14)	**3,984**	2,068	**29,899**
Other current assets	**3,450**	1,185	**25,891**
Total current assets	**51,421**	69,005	**385,899**
Investments and Advances:			
Investments in securities (Note 4)			
Investments in and advances to unconsolidated subsidiaries and affiliates	**3,593**	6,920	**26,964**
Other investments	**7,977**	11,221	**59,865**
Total investments and advances	**2,920**	5,994	**21,914**
	14,490	24,135	**108,743**
Property Equipment, at cost, less Accumulated Depreciation (Note 6)	**5,420**	5,904	**40,675**
Fixed Leasehold Deposits (Note 7)	**2,721**	2,299	**20,420**
Deferred Charges, Intangibles and Other	**2,537**	1,878	**19,039**
Deferred tax assets	**3,318**	671	**24,901**
	¥79,907	¥103,892	**$599,677**

The accompanying notes are an integral part of the statements.

LIABILITIES AND SHAREHOLDERS' EQUITY	Millions of Yen 2002	Millions of Yen 2001	Thousands of U.S. Dollars (Note 4) 2002
Current Liabilities:			
Short-term bank loans (Note 8)	**¥ 294**	¥ 2,242	**$ 2,206**
Commercial paper	**—**	5,000	**—**
Accounts payable:			
Suppliers	**3,673**	4,043	**24,565**
Unconsolidated subsidiaries and affiliates	**7**	66	**52**
	3,680	4,109	**27,617**
Income taxes payable	**1,343**	1,440	**10,079**
Accrued bonuses to employees	**1,474**	1,320	**11,062**
Advance received	**644**	1,045	**4,833**
Reserve for loss on guarantees	**300**	—	**2,251**
Other current liabilities	**3,210**	3,912	**24,091**
Total current liabilities	**10,945**	19,068	**82,139**
Long-term Liabilities:			
Long-term bank loans	**3,000**	3,570	**22,514**
Deferred tax liabilities (Note 14)	**0**	61	**0**
Securities deposits received	**4**	12	**30**
Reserve for retirement benefits (Note 9)	**135**	53	**1,013**
Other long-term liabilities	**—**	179	**—**
Total long-term liabilities	**3,139**	3,875	**23,557**
Minority Interests in Subsidiaries	**1,502**	1,397	**11,272**
Contingent Liabilities (Note 10)			
Shareholders' Equity:			
Common stock:			
Authorized 90,088,176 shares at March 31, 2001 and 2002, respectively			
Issued 24,397,023 shares at March 31, 2001 and 2002, respectively	**29,066**	29,066	**218,131**
Additional paid-in capital	**30,623**	30,623	**229,816**
Retained earnings	**(5,468)**	12,747	**(41,035)**
Unrealized gains on marketable securities and investments in securities	**2,273**	5,068	**17,058**
Foreign currency translation adjustments	**7,828**	2,048	**58,746**
	64,322	79,552	**482,716**
Treasury stock	**(1)**	(0)	**(7)**
Total shareholders' equity	**64,321**	79,552	**482,709**
	¥79,907	¥103,892	**$599,677**

The accompanying notes are an integral part of the statements.

CONSOLIDATED STATEMENTS OF INCOME

For the years ended March 31, 2002, 2001 and 2000

	Millions of Yen			Thousands of U.S. Dollars (Note 4)
	2002	2001	2000	2002
Net Sales (Note 15)	**¥ 70,232**	¥87,711	¥48,882	**$ 527,069**
Cost of Sales	**71,126**	61,483	35,244	**533,780**
Gross profit	**(894)**	26,228	13,638	**(6,709)**
Selling, General and Administrative Expenses	**13,279**	13,407	8,973	**99,655**
Operating income	**(14,173)**	12,821	4,665	**(106,364)**
Non-Operating Income (Expenses):				
Interest income	**338**	838	498	**2,537**
Interest expenses	**(82)**	(106)	(67)	**(615)**
New share issue expenses	**(8)**	(6)	(252)	**(60)**
Dividend income	**13**	22	40	**98**
Loss on disposal of inventories	**—**	—	(69)	**—**
Gain on sale/disposal of marketable securities	**—**	568	17	**—**
Gain on sale/disposal of investments in securities	**779**	—	—	**5,846**
Loss on sale/disposal of investments in securities	**(131)**	—	—	**(983)**
Loss on sale/disposal of property	**(156)**	(273)	(126)	**(1,171)**
Loss on liquidation of business segment (Note 13)	**(992)**	(489)	(391)	**(7,445)**
Gains/(losses) on disposal of investments in affiliates	**13**	115	52	**98**
Loss on write-down of investments in affiliates	**(2,280)**	—	—	**(17,111)**
Equity in earnings of unconsolidated subsidiaries and affiliates	**(2,824)**	(1,597)	(275)	**(21,193)**
Foreign exchange gains/(losses)	**696**	25	(521)	**5,223**
Loss on investments in partnership	**(1,363)**	(746)	(73)	**(10,229)**
Loss on closure of offices	**—**	—	(90)	**—**
Loss on write-down of marketable securities and investments in securities	**(2,239)**	(1,815)	—	**(16,803)**
Amortization of long-term prepaid expenses	**—**	—	(43)	**—**
Gains on sale of stock by investees	**1,392**	139	—	**10,447**
Loss on sale of stock by investees	**—**	(41)	—	**—**
Loss on write-down of golf membership	**(92)**	(169)	—	**(690)**
New SFA development costs	**(666)**	—	—	**(4,998)**
Reserve for loss on guarantees	**(300)**	—	—	**(2,251)**
Amortization of transition amount arising from adopting new account (Note 9)	**—**	(60)	—	**—**
Other, net	**(88)**	(176)	49	**(662)**
	(7,990)	(3,771)	(1,251)	**(59,962)**
Income before income taxes	**(22,163)**	9,050	3,414	**(166,326)**
Income Taxes (Note 14)				
- Current	**2,524**	9,130	2,395	**18,942**
- Refund	**(4,007)**	—	—	**(30,071)**
- Deferred	**(2,902)**	(4,632)	(317)	**(21,779)**
	(17,778)	4,552	1,336	**(133,418)**
Minority Interests in Net Income of Subsidiaries	**166**	(347)	55	**1,246**
Net income	**¥ (17,612)**	¥ 4,205	¥ 1,391	**$ (132,172)**
Per Share:	Yen			U.S. Dollars
Net income	**¥ (721.9)**	¥ 172.6	¥ 59.9	**$ (5.42)**
Cash dividends	**¥ 20.0**	¥ 20.0	¥ 20.0	**$ 0.15**
Weighted average number of shares (in thousands)	**24,362**	24,362	23,210	**24,362**

The accompanying notes are an integral part of the statements.

CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY

For the years ended March 31, 2002, 2001 and 2000

		Millions of Yen		
	Number of shares of common stock	Common Stock	Additional paid-in capital	Retained earnings
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
Cash dividends	—	—	—	(488)
Directors' bonuses	—	—	—	(70)
Decrease due to additional consolidation of subsidiaries	—	—	—	(59)
Increase due to merger of consolidation of subsidiaries	—	—	—	19
Decrease due to additional unconsolidated subsidiaries and affiliates	—	—	—	(5)
Net income for the year ended March 31, 2002	—	—	—	(17,612)
Balance at March 31, 2002	24,397,023	¥ 29,066	¥ 30,623	¥ (5,468)

	Thousands of U.S. Dollars (Note4)		
Balance at March 31, 2001	$218,131	$229,816	$ 95,662
Cash dividends	—	—	(3,662)
Directors' bonuses	—	—	(525)
Decrease due to additional consolidation of subsidiaries	—	—	(443)
Increase due to additional unconsolidated subsidiaries and affiliates	—	—	143
Decrease due to additional unconsolidated subsidiaries and affiliates	—	—	(38)
Net income for the year ended March 31, 2002	—	—	(132,172)
Balance at March 31, 2002	$218,131	$229,816	$ (41,035)

The accompanying notes are an integral part of the statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS

For the years ended March 31, 2002, 2001 and 2000

	Millions of Yen			Thousands of U.S. Dollars (Note 4)
	2002	2001	2000	2002
Cash Flows from Operating Activities:				
Net income before income tax	**¥ (22,163)**	¥ 9,050	¥ 3,413	**$ (166,326)**
Adjustments to reconcile net income to net cash provided by operating activities:				
Depreciation	**928**	827	471	**6,964**
Amortization of excess costs of investments over equity in net assets	**517**	189	51	**3,880**
Amortization of intangible assets	**167**	194	162	**1,253**
Accrued interest and dividend income	**(351)**	(859)	(537)	**(2,634)**
Accrued interest expenses	**82**	106	67	**615**
Foreign Exchange gains/losses	**(692)**	(24)	521	**(5,193)**
New share issue expenses	**8**	6	252	**60**
Loss on liquidation of business segment	**992**	489	391	**7,445**
Reserve for loss on guarantees	**300**	—	—	**2,251**
Loss on write-down of investments of affiliates	**2,280**	—	—	**17,111**
Equity in earnings of unconsolidated subsidiaries and affiliates	**2,824**	1,597	275	**21,193**
Dilution gain from change in equity interest	**(1,392)**	(139)	—	**(10,447)**
Gain on sale of investments in unconsolidated subsidiaries and affiliates	**(13)**	(115)	(52)	**(98)**
Gain on sale of marketable securities	**—**	(568)	(17)	**—**
Gain on sale/disposal of investments in securities	**(779)**	—	—	**(5,846)**
Reversal of allowance for bad debt	**146**	88	(3)	**1,096**
Increase in reserve for retirement benefits	**36**	52	—	**270**
Loss on write-down of investments in securities	**2,239**	1,815	—	**16,803**
Loss on investments in partnership	**1,363**	746	74	**10,229**
Loss on write-down of golf club membership	**92**	170	—	**690**
Loss on disposal of property	**156**	159	126	**1,171**
Loss on write-down of investments in securities for operating purposes	**18,744**	11,671	530	**140,668**
Loss on sale /disposal of investments in securities	**131**	—	—	**983**
Increase in accrued bonuses to employees	**153**	250	154	**1,148**
Increase in notes and accounts receivable	**(65)**	(2,686)	(1,588)	**(488)**
Increase in investment in securities for operating purposes	**(1,705)**	(7,918)	(11,489)	**(12,795)**
Increase/decrease in jobs and software in progress and merchandise	**244**	(80)	124	**1,831**
Increase in accounts payable	**(481)**	653	282	**(3,610)**
Other, net	**(3,103)**	(6,756)	428	**(23,286)**
Sub total	**658**	8,917	(6,365)	**4,938**
Interest and dividend income received	**356**	1,078	489	**2,672**
Interest expenses paid	**(2)**	(106)	(65)	**(15)**
Income tax paid	**(2,622)**	(9,917)	(1,365)	**(19,677)**
Net cash used for operating activities	**(1,610)**	(28)	(7,306)	**(12,082)**
Cash Flows from Investing Activities:				
Place of long-term time deposits	**(20)**	(2,000)	—	**(150)**
Withdraw of long-term time deposits	**2,000**	11,000	—	**15,009**
Payments for purchase of marketable securities	**—**	(800)	(2,686)	**—**
Proceeds from sale of marketable securities	**—**	2,836	3,620	**—**
Payments for purchase of property and equipment	**(818)**	(1,934)	(1,220)	**(6,139)**
Payments for purchase of investments in securities	**(1,009)**	(3,477)	(3,969)	**(7,572)**
Proceeds from sale of investments in securities	**¥ 1,508**	¥ 333	¥ 657	**$ 11,317**

The accompanying notes are an integral part of the statements.

continued

For the years ended March 31, 2002, 2001 and 2000

	Millions of Yen			Thousands of U.S. Dollars (Note 4)
	2002	2001	2000	2002
Payments for purchase of investments in affiliates	**¥ (3,093)**	¥ —	¥ —	**$ (23,212)**
Payments for sale of investments in subsidiaries due to change in scope of consolidation	**(20)**	—	—	**(150)**
Payments for purchase of investments in subsidiaries due to change in scope of consolidation	**(121)**	—	—	**(908)**
Proceeds from purchase of investments in subsidiaries due to change in scope of consolidation	**86**	—	—	**645**
Payments for purchase of intangibles	**(356)**	(703)	(406)	**(2,672)**
Payments for purchase of other investments	**(1,083)**	(13,795)	(2,227)	**(8,127)**
Proceeds from sale of other investments	**3,709**	710	838	**27,835**
Net cash used for investing activities - forward	**783**	(7,830)	(5,393)	**5,876**
Cash Flows from Financing Activities:				
Proceeds from short-term bank loans	**22,000**	12,891	1,806	**165,103**
Repayment of short-term bank loans	**(24,947)**	(12,240)	(7,267)	**(187,220)**
Proceeds from issuance of commercial paper	**15,000**	5,000	—	**112,570**
Payments for redemption of commercial paper	**(20,000)**	—	—	**(150,094)**
Proceeds from long-term bank loans	**—**	3,000	1,170	**—**
Repayment of long-term bank loans	**(570)**	(1,035)	(334)	**(4,278)**
Proceeds from new stock issue	**—**	812	30,954	**—**
Payments for purchase of treasury stock	**(1)**	(4)	(3)	**(7)**
Proceeds from sale of treasury stocks	**1**	4	—	**7**
Proceeds from stock issue to minority interests	**35**	773	74	**3,265**
Payments for capital reduction to minority interests	**(132)**	—	—	**(990)**
Cash dividends paid	**(488)**	(487)	(457)	**(3,662)**
Dividends paid to minority interests	**(10)**	(8)	—	**(75)**
Payment in relation to liquidation of affiliated companies	**—**	(348)	—	**—**
Directors' bonus paid	**—**	—	(53)	**—**
Net cash provided by financing activities	**(8,712)**	8,358	25,890	**(65,381)**
Effect of exchange rate changes on cash and cash equivalents	**2,423**	1,191	(2,293)	**18,184**
Net increase in cash and cash equivalent	**(7,116)**	1,691	10,898	**(53,403)**
Increase due to increase in consolidated subsidiaries	**119**	118	612	**893**
Decrease due to decrease in consolidated subsidiaries	**—**	(673)	(8)	**—**
Cash and cash equivalents at the beginning of year	**20,871**	19,645	8,143	**155,955**
Cash and cash equivalents at end of year	**¥13,784**	¥20,781	¥19,645	**$103,445**

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

	Millions of Yen			Thousands of U.S. Dollars (Note 4)
	2002	2001	2000	2002
Cash and time deposits	**¥11,746**	¥21,181	¥20,034	**$ 88,150**
Marketable securities	**2,058**	1,601	10,519	**15,445**
	13,804	22,781	30,552	**103,595**
Time deposits with maturity periods exceeding three months	**(20)**	(2,000)	(9,000)	**(150)**
Equity securities and securities investment trust	**—**	—	(1,907)	**—**
Cash and cash equivalents	**¥13,784**	¥20,781	¥19,645	**$103,445**

The accompanying notes are an integral part of the statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. BASIS OF PRESENTING THE 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 9 overseas consolidated subsidiaries, Trans Cosmos USA 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., Trans Cosmos Hong Kong Ltd. (incorporated in Hong Kong) and IBR Inc. (incorporated in Korea) 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(1) Scope of Consolidation

The Company had 43 subsidiaries (majority-owned companies) as at March 31, 2002 (44 as at March 31, 2001 and 38 as at March 31, 2000). The consolidated financial statements include the accounts of the Company and 38 of its subsidiaries for the year ended March 31, 2002 (37 for the year ended March 31, 2001 and 28 for the year ended March 31, 2000).

The remaining 5 (7 for 2001 and 10 for 2000) 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., 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., Listen Japan K.K., Trans Cosmos Hong Kong Ltd. And IBR Inc. 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 (18 affiliates for the year ended March 31, 2001 and one unconsolidated subsidiary and 9 affiliates for the year ended March 31, 2000). 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.

(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

Leases that transfer substantially all the risks and rewards of ownership of the assets are accounted for as capital leases, except that leases do not transfer ownership of the assets at the end of the lease term are accounted for as operating leases, in accordance with accounting principles and practices generally accepted in Japan.

(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 Loss on Guarantees

Reserve for loss on guarantees provides for estimated losses related to guarantees of loans. The amount is estimated in light of financial positions and other conditions of the guaranteed companies.

(12) 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.

(13) 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.

(14) 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.

The difference in yen amounts arising from the use of different rates 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".

(15) 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 Opayment 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.

(16) 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.

(17) 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.

(18) Reclassifications

Certain amounts for the years ended March 31, 2001 and 2000 have been reclassified in conformity with 2002 presentation. These changes had no impact on net cash flows previously reported.

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 a basis of ¥133.25=US$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 ¥133.25=US$1 or any other rate.

4. MARKETABLE SECURITIES AND INVESTMENT IN SECURITIES

At March 31, 2002 and 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			
Year ended March 31, 2002	Cost	Unrealized Gains	Unrealized Losses	Fair value
Other securities	¥4,385	¥3,734	¥478	¥7,641

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

	Thousands of U.S. Dollars			
Year ended March 31, 2002	Cost	Unrealized Gains	Unrealized Losses	Fair value
Other securities	$32,908	$28,022	$3,587	$57,343

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, 2002 and 2001 are summarized as follows:

	Millions of Yen		Thousands of U.S. Dollars
For the years ended March 31,	2002	2001	2002
Buildings and structures	¥3,328	¥3,014	$24,976
Cars and vehicles	76	77	570
Equipment, furniture and fixtures	3,892	3,503	29,208
	7,296	6,594	54,754
Less: accumulated depreciation	(3,256)	(2,553)	(24,435)
	4,040	4,041	30,319
Land	1,236	1,863	9,276
Construction in progress	144	—	1,080
	¥5,420	¥5,904	$40,675

7. FIXED LEASEHOLD DEPOSITS

Fixed leasehold deposits as at March 31, 2002 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, 2002 is 0.64%.

Aggregate annual maturity of long-term bank loans subsequent to March 31, 2002 is as follows:

Year ending March 31,	Millions of Yen	Thousands of U.S. Dollars
2003	¥2,000	$15,009
2004	1,000	7,505
	¥3,000	$22,514

9. RETIREMENT BENEFIT PLAN

The reserve for retirement benefits as of March 31, 2002 and 2001 is analyzed as follows:

	Millions of Yen		Thousands of U.S. Dollars
As of March 31,	2002	2001	2002
Projected benefit obligations	¥5,388	¥5,562	$40,435
Plan assets	5,616	5,481	42,146
	228	81	1,711
Unrecognized actuarial cost	869	220	6,522
Unrecognized prior service costs	1,079	—	8,098
Unrecognized plan assets	—	140	—
	18	1	135
Prepaid pension cost	153	51	1,148
	¥ 135	¥ 52	$ 1,013

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, 2002 and 2001 was as follows:

	Millions of Yen		Thousands of U.S. Dollars
For the years ended March 31,	2002	2001	2002
Service cost	¥484	¥474	$3,632
Interest cost	94	97	705
Expected return on plan assets	(118)	(135)	(885)
Amortization of transition amount	—	60	—
Amortization of unrecognized prior service costs	44	—	330
Net pension expenses	¥504	¥496	$3,782

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

As of March 31,	2002	2001
Discount rate	3.0%	3.0%
Expected rate of return on plan assets	4.0%	4.0%
Method of attributing the projected benefits to periods of services	Straight-line basis	Straight-line basis
Amortization of unrecognized prior service cost	5years	5years
Amortization of transition amount	—	Entirely charged to income in the current year
Amortization of unrecognized actuarial differences	5 years	5 years

10. CONTINGENT LIABILITIES

As of March 31, 2002, 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.

March 31,	Millions of Yen 2002	Thousands of U.S. Dollars 2002
Guarantees on loans and other:		
So (director of Soft Brain Inc.)	¥300	$2,251
Access Media International Partners Ind.	207	1,554
J-One Inc.	203	1,523
Other	67	503
	¥777	$5,831

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, 2002 and 2001, is as follows:

March 31, 2002	Millions of Yen Acquisition Costs	Accumulated Depreciation	Net Leasehold Property
Buildings	¥ 23	¥ 10	¥ 13
Furniture and Fixtures	1,977	740	1,237
Software	95	50	45
Total	¥2,095	¥800	¥1,295

March 31, 2001	Millions of Yen 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

March 31, 2002	Thousands of U.S. Dollars Acquisition Costs	Accumulated Depreciation	Net Leasehold Property
Buildings	$ 172	$ 75	$ 97
Furniture and Fixtures	14,837	5,554	9,283
Software	713	375	338
Total	$15,722	$6,004	$9,718

Future minimum lease payments under finance lease, which included the imputed interest expense on such lease contracts as of March 31, 2002 and 2001, are as follows:

March 31,	Millions of Yen 2002	2001	Thousands of U.S. Dollars 2002
Due within one year	¥ 455	¥331	$3,415
Due after one year	837	631	6,281
	¥1,292	¥962	$9,696

Depreciation expense, lease expense and interest expense which are not reflected in the accompanying consolidated statements of income for the years ended March 31, 2002 and 2001, would be as follows:

March 31,	Millions of Yen 2002	2001	Thousands of U.S. Dollars 2002
Depreciation expense	¥416	¥270	$3,122
Lease expense	467	333	3,505
Interest expense	¥ 36	¥ 31	$ 270

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 ¥992 million ($7,445 thousand) in the year ended March 31, 2002, which consisted of the following:

March 31,	Millions of Yen 2002	Thousands of U.S. Dollars 2002
Loss on write-down of inventories	¥604	$4,533
Loss on write-down of investments in affiliates	223	1,674
Others	165	1,238
	¥992	$7,445

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, 2002 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, 2001 differs from the Company's statutory tax rate for the following reasons:

March 31,	2002	2001
Statutory tax rate	—	42.0%
Permanent difference on dividend received	—	(6.6)
Equity in earnings of affiliates	—	3.4
Tax loss carry forward no recognized	—	14.7
Dividends received eliminated on consolidation	—	6.6
Other	—	0.8
Effective tax rate	—	49.7%

The difference between the effective tax rate and statutory tax rate for the year ended March 31, 2002 is not presented because of the net loss in the year.

The tax effects of temporary differences that give rise to significant portion of the deferred tax assets and liabilities as of March31, 2002 and 2001 are summarized as follows:

March 31,	Millions of Yen 2002	2001	Thousands of U.S. Dollars 2002
Deferred tax assets:			
Accrued bonus	¥ 373	¥ 257	$ 2,799
Accrued enterprise tax	84	136	630
Write-down of investments in securities for operating purpose	3,393	1,589	25,463
Gain on disposal of investments in affiliates	2,977	1,039	22,342
Write-down of golf club membership	114	71	856
Tax loss carry forward	2,615	1,168	19,625
Others	630	218	4,728
	10,186	4,478	76,443
Valuation allowance	(2,615)	(1,168)	(19,625)
Total deferred tax assets	7,571	3,310	56,818
Deferred tax liabilities:			
Valuation difference on other securities	54	454	405
Gain on capital reduction	154	156	1,156
Others	61	22	458
Total deferred tax liabilities	269	632	2,019
Net deferred tax assets	¥ 7,302	¥2,678	$54,799

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 Service	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, 2002, classified by industry segments is summarized as follows:

For the year ended March 31, 2002	Computer Service	Venture Capital	Total	Elimination & Unallocatable Amounts	Consolidated
	Millions of Yen				
Sales:					
Sales to outside customers	¥66,157	¥ 4,075	¥70,232	¥ —	¥70,232
Inter-segment sales/transfers	212	44	256	(256)	—
Total	66,369	4,119	70,488	(256)	70,232
Operating expenses	58,181	22,656	80,838	3,567	84,405
Operating profit or loss	8,188	(18,537)	(10,350)	(3,823)	(14,173)
Assets	¥24,382	¥36,768	¥61,150	¥18,757	¥79,907
Depreciation	747	33	780	314	1,094
Capital expenditure	720	49	769	405	1,174

For the year ended March 31, 2001	Computer Service	Venture Capital	Total	Elimination & Unallocatable Amounts	Consolidated
	Millions of Yen				
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, 2002	Computer Service	Venture Capital	Total	Elimination & Unallocatable Amounts	Consolidated
	Thousands of U.S. Dollars				
Sales:					
Sales to outside customers	$496,488	$ 30,581	$527,069	$ —	$527,069
Inter-segment sales/transfers	1,591	330	1,921	(1,921)	—
Total	498,079	30,911	528,990	(1,921)	527,069
Operating expenses	436,630	170,026	606,664	26,769	633,435
Operating profit or loss	61,449	(139,115)	(77,674)	(28,690)	(106,364)
Assets	$182,979	$275,933	$458,912	$140,765	$599,677
Depreciation	5,606	248	5,854	2,356	8,210
Capital expenditure	5,403	368	5,771	3,039	8,810

Note 1: The amounts of operating loss included in the column "Elimination or Unallocatable Amount" are ¥3,743 million and ¥3,842 million for the years ended March 31, 2002 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 ¥32,594 million and ¥38,348 million for the years ended March 31, 2002 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, 2002 is summarized as follows:

For the year ended March 31, 2002	Japan	U.S.A.	China	Total	Elimination or Unallocatable Amounts	Consolidated
	Millions of Yen					
Sales:						
(1) Sales to outside customers	¥65,279	¥ 4,711	¥ 242	¥ 70,232	¥ —	¥ 70,232
(2) Intersegment sales/transfer	423	44	23	490	(490)	—
Total	65,702	4,755	265	70,722	(490)	70,232
Operating expenses	57,362	17,896	5,893	81,151	3,254	84,405
Operating profit or losses	¥ 8,340	¥ (13,141)	¥ (5,628)	¥ (10,429)	¥ (3,744)	¥ (14,173)
Assets	¥17,492	¥ 36,867	¥ 6,791	¥ 61,150	¥18,757	¥ 79,907

For the year ended March 31, 2001	Japan	U.S.A.	China	Total	Elimination or Unallocatable Amounts	Consolidated
	Millions of Yen					
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, 2002	Japan	U.S.A.	China	Total	Elimination or Unallocatable Amounts	Consolidated
	Thousands of U.S. Dollars					
Sales:						
(1) Sales to outside customers	$489,899	$ 35,354	$ 1,816	$527,069	$ —	$ 527,069
(2) Intersegment sales/transfer	3,174	330	173	3,677	(3,677)	—
Total	493,073	35,684	1,989	530,746	(3,677)	527,069
Operating expenses	430,484	134,304	44,225	609,013	24,420	633,433
Operating profit or losses	$ 62,589	$ (98,620)	$ (42,236)	$ (78,267)	$ (28,097)	$(106,364)
Assets	$131,272	$276,676	$ 50,964	$458,912	$140,765	$ 599,677

Note 1: The amounts of operating loss included in the column "Elimination or Unallocatable Amount" are ¥3,743 million and ¥3,842 million for the years ended March 31, 2002 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 ¥32,823 million and ¥38,844 million for the years ended March 31, 2002 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.

Note 3: The segment of "Asia" represents China for Sales and Operating profit or losses, and China and Korea for Assets.

For the year ended March 31, 2002	Millions of Yen U.S.A.	Other	Total
Overseas sales	¥4,833	¥312	¥ 5,145
Consolidated sales	—	—	70,232
Ratio	6.9%	0.4%	7.3%

(3) Sales outside Japan

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, 2002	Thousands of U.S. Dollars U.S.A.	Other	Total
Overseas sales	$36,270	$2,341	$ 38,611
Consolidated sales	—	—	527,069
Ratio	6.9%	0.4%	7.3%

16. RELATED PARTY TRANSACTIONS

Material transactions of the directors of the Group companies for the year ended March 31, 2002 are as follows:

					¥ (millions) / $ (thousands)					
					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, 2002		Account	At March 31, 2002	
Koki Okuda	Trans Cosmos	Chairman and president	19.4%	C.P.C. Inc.	Computer Service	¥473	$3,550	Accounts receivable	¥52	$390
								Other Current Assets	1	7
Syuichi Tamura	Trans Cosmos	Director	—	Live Picture Japan K.K	Computer Service	12	90	Accounts receivable	0	0
						88	660	Other Current Assets	1	7

17. SUBSEQUENT EVENTS

No significant events subsequent to March 31, 2002 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, 2002 and 2001, and the related consolidated statements of income and shareholders' equity and cash flows for each of the three years in the period ended March 31, 2002, 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, 2002 and 2001, and the consolidated results of their operations and their cash flows for each of the three years in the period ended March 31, 2002, 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 from 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 27, 2002

NON-CONSOLIDATED BALANCE SHEETS

At March 31, 2002 and 2001

ASSETS	Millions of Yen 2002	Millions of Yen 2001	Thousands of U.S. Dollars (Note 3) 2002
Current Assets:			
Cash, Time deposits and commercial paper	**¥ 2,975**	¥ 8,427	**$ 22,326**
Marketable securities	**—**	1,601	**—**
Notes and accounts receivable:			
Customers	**7,544**	7,400	**56,615**
Subsidiaries and affiliates	**816**	1,078	**6,124**
	8,360	8,478	**62,739**
Less: allowance for bad doubt	**(7)**	(7)	**(52)**
	8,353	8,471	**62,687**
Short-term loans to subsidiaries	**7,892**	8,021	**59,227**
Job and software in progress and merchandise	**133**	654	**998**
Deferred tax assets	**320**	354	**2,402**
Merchandise	**237**	396	**1,779**
Prepaid expenses	**187**	163	**1,403**
Other current assets	**871**	941	**6,536**
Total current assets	**20,968**	29,028	**157,358**
Investments and Advances:			
Investments in securities	**3,458**	6,336	**25,951**
Investments in and advances to subsidiaries and affiliates	**43,141**	42,946	**323,760**
Long-term loans to subsidiaries	**8,000**	—	**60,038**
Other investments	**2,973**	6,163	**22,311**
Total investments and advances	**57,572**	55,445	**432,060**
Property Equipment, at cost, less Accumulated Depreciation	**3,792**	4,689	**28,458**
Fixed Leasehold Deposits	**2,182**	1,929	**16,375**
Deferred Charges, Intangibles and Other	**519**	763	**3,895**
Deferred tax assets	**978**	—	**7,340**
	¥86,011	¥91,854	**$645,486**

The accompanying notes are an integral part of the statements.

LIABILITIES AND SHAREHOLDERS' EQUITY	Millions of Yen 2002	Millions of Yen 2001	Thousands of U.S. Dollars (Note 3) 2002
Current Liabilities:			
Commercial paper	**¥ —**	¥ 5,000	**$ —**
Accounts payable:			
Suppliers	**1,883**	1,726	**14,131**
Subsidiaries and affiliates	**1,300**	1,234	**9,756**
	3,183	2,960	**23,887**
Income taxes payable	**929**	1,272	**6,972**
Accrued expenses	**1,033**	971	**7,752**
Accrued bonuses to employees	**1,115**	1,078	**8,368**
Reserve for loss on guarantees	**300**	—	**2,251**
Other current liabilities	**670**	696	**5,029**
Total current liabilities	**7,230**	11,977	**54,259**
Long-term Liabilities:			
Long-term bank loans	**3,000**	3,000	**22,514**
Deferred tax liabilities	**—**	435	**—**
Reserve for retirement benefits	**68**	37	**510**
Other long-term liabilities	**182**	164	**1,366**
Total long-term liabilities	**3,250**	3,636	**24,390**
Shareholders' Equity:			
Common stock:			
Authorized 90,088,176 shares at March 31, 2002 and 2001, respectively			
Issued 24,397,023 shares at March 31, 2002 and 2001, respectively	**29,066**	29,066	**218,131**
Additional paid-in capital	**30,623**	30,623	**229,816**
Legal reserve	**389**	357	**2,919**
General reserve	**14,900**	12,900	**111,820**
Retained earnings	**480**	2,753	**3,602**
Unrealized gains on marketable securities and investments in securities	**74**	542	**556**
Treasury stock, at cost, 174 shares March 31, 2002	**(1)**	—	**(7)**
Total shareholders' equity	**75,531**	76,241	**566,837**
	¥86,011	¥91,854	**$645,486**

The accompanying notes are an integral part of the statements.

NON-CONSOLIDATED STATEMENTS OF INCOME

For the years ended March 31, 2002, 2001 and 2000

	Millions of Yen			Thousands of U.S. Dollars (Note 3)
	2002	2001	2000	**2002**
Net Sales	**¥54,514**	¥49,626	¥39,386	**$409,110**
Cost of Sales	**43,693**	39,132	30,592	**327,902**
Gross profit	**10,821**	10,494	8,794	**81,208**
Selling, General and Administrative Expenses	**6,785**	6,478	5,228	**50,919**
Operating income	**4,036**	4,016	3,566	**30,289**
Non-Operating Income (Expenses):				
Interest income	**191**	305	363	**1,433**
Interest expenses	**(42)**	(46)	(28)	**(315)**
Dividend income	**58**	1,137	569	**435**
Loss on sale/disposal of property	**(78)**	(218)	(57)	**(586)**
Loss on disposal of inventories	**(131)**	—	(69)	**(983)**
Loss on write-down of marketable securities and investments in securities	**(2,053)**	(1,777)	—	**(15,407)**
Loss on write-down of golf club membership	**(92)**	(169)	—	**(690)**
Gain on sale/disposal of marketable securities	**—**	459	18	**—**
Gain on sale/disposal of investments in securities	**665**	—	—	**4,991**
Gain on sale/disposal of investments in affiliates	**4,610**	2,541	512	**34,597**
Loss on liquidation of business segment	**(3,946)**	(794)	(704)	**(29,614)**
New share issue expenses	**—**	(6)	(254)	**—**
Loss on investments in partnership	**(1,363)**	(742)	(73)	**(10,229)**
Loss on closure of offices	**—**	—	(90)	**—**
New SFA development costs	**(757)**	—	—	**(5,681)**
Reserve for loss on guarantees	**(300)**	—	—	**(2,251)**
Other, net	**(8)**	(160)	41	**(60)**
	(3,246)	530	228	**(24,360)**
Income before income taxes	**790**	4,546	3,794	**5,929**
Income Taxes				
- Current	**1,513**	2,148	1,594	**11,355**
- Deferred	**(1,039)**	(164)	(119)	**(7,797)**
Net income	**¥ 316**	¥ 2,562	¥ 2,319	**$ 2,371**
Per Share:		Yen		U.S. Dollars
Net income	**¥ 13.0**	¥ 105.2	¥ 99.9	**$ 0.10**
Cash dividends	**¥ 20.0**	¥ 20.0	¥ 20.0	**$ 0.15**
Weighted average number of shares (in thousands)	**24,362**	24,362	23,210	**24,362**

The accompanying notes are an integral part of the statements.

NON-CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY

For the years ended March 31, 2002, 2001 and 2000

		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, 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
Cash dividends	—	—	—	—	—	(487)
Transfer to legal reserve	—	—	—	32	—	(32)
Directors' bonuses	—	—	—	—	—	(70)
Transfer to general reserve	—	—	—	—	2,000	(2,000)
Net income for the year ended March 31, 2001	—	—	—	—	—	316
Balance as at March 31, 2002	24,397,023	¥ 29,066	¥ 30,623	¥ 389	¥ 14,900	¥ 480

	Thousands of U.S. Dollars (Note3)				
Balance as at March 31, 2001	$218,132	$229,816	$2,679	$ 96,811	$ 20,660
Cash dividends	—	—	—	—	(3,655)
Transfer to legal reserve	—	—	240	—	(240)
Directors' bonuses	—	—	—	—	(525)
Transfer to general reserve	—	—	—	15,009	(15,009)
Net income for the year ended March 31, 2002	—	—	—	—	2,371
Balance as at March 31, 2002	$218,132	$229,816	$2,919	$111,820	$ 3,602

The accompanying notes are an integral part of the statements.

NOTES TO THE NON-CONSOLIDATED FINANCIAL STATEMENTS

1. BASIS OF PRESENTING THE NON-CONSOLIDATED FINANCIAL STATEMENTS

(1) Accounting principles

The accompanying non-consolidated financial statements have been prepared 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 years ended March 31, 2002, 2001 and 2000.

The non-consolidated financial statements are not intended to present the non-consolidated financial position, 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) Treasury stocks

Effective from the fiscal year ended March 31, 2002, under the amended financial statements regulations in Japan, treasury stocks, which were previously presented in "Current assets", have been reclassified as a deduction item in "Shareholders' equity".

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.

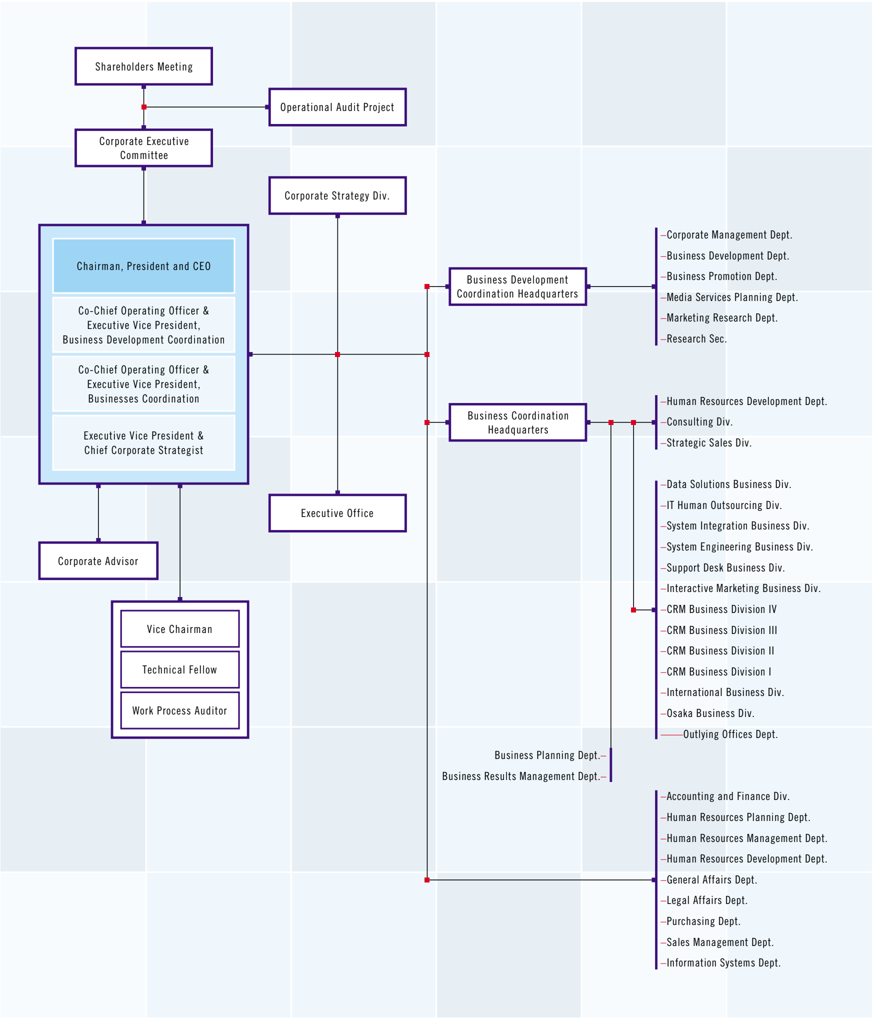
3. UNITED STATES DOLLAR AMOUNTS

The Company maintains 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 a basis of ¥133.25=US$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 ¥133.25=US$1 or any other rate.

4. LEGAL RESERVE AND RETAINED EARNINGS

The Japanese Commercial Code provided that an amount equivalent to at least 10% of certain cash disbursements with respect to each fiscal year be appropriated to a legal reserve equals 25% of the stated capital. The Japanese Commercial Code, amended effective on October 1 2001, provides that an amount equivalent to at least 10% of certain cash disbursements with respect to each fiscal year be appropriated to legal reserve until an aggregated amount of additional paid-in capital and the legal reserve equals 25% of stated capital.

ORGANIZATION CHART



MAJOR CONSOLIDATED SUBSIDIARIES

Trans Cosmos' business development and research activities

JAPAN
Trans Cosmos, Inc.
http://www.trans-cosmos.co.jp

Deployment of latest technologies/services
Trans Cosmos USA, Inc.
EnCompass Group Japan

Consulting/systems integration
Skylight Consulting, Inc.
Mac Interface Co., Ltd.
IT manage Inc.
Ibex Inc.
System Wave Co., Ltd.
System Future Corporation
SoftBrain Co., Ltd.
Solution-LABO-TSI Co., Ltd.
Norax Corp.
Trans Welnet Inc.

Marketing-chain management
DoubleClick Japan Inc.
init co., ltd.
NetRatings Japan Inc.
Marketswitch Japan KK
NetMile, Inc.
CyberSource KK
Macromill, Inc.

ASP/hosting/enabling technologies
J-Stream Inc.

Contact-center operation services
Trans Cosmos CRM Sapporo Inc.
Trans Cosmos CRM Okinawa Inc.
Trans Cosmos CRM Miyazaki Inc.
BestCareer Inc.
TechnoBouquet Inc.
Wakayama Planet KK

Contact-center solutions
Ask Jeeves Japan Co., Ltd.
Primus Knowledge Solutions, K.K.

E-business sites
Forecast Communications Inc.
Listen Japan, Inc.

Design-support services
C-Three Inc.

IT training and personnel
Asahi-MKC Co., Ltd.

ASIA
Introducing to Asia both services launched in Japan and the latest technologies from the United States.

China
Trans Cosmos
Information Creative (China) Co. Ltd.

Hong Kong
NetworkAsia

South Korea
Trans Engineering Korea Inc.
CIC Korea Inc.
Inwoo Tech, Inc.

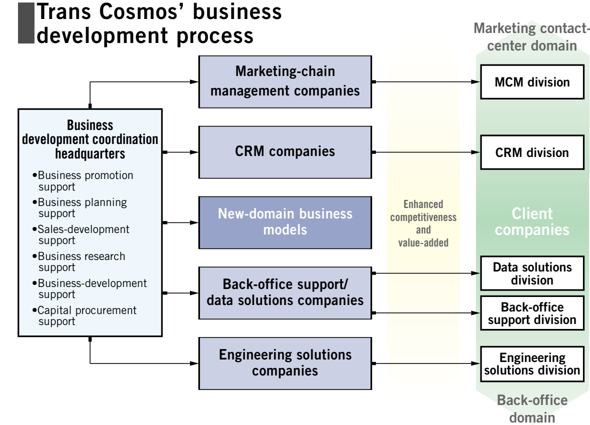
Taiwan
Trans Engineering Taipei Inc.

U.S.A.
Trans Cosmos USA, Inc
http://www.transcosmos.com

Our US operations support our strategic introduction of the latest IT technologies and services.

Equator Technologies Inc.
Presenter, Inc.
Sendmail, Inc.
Blue Pumpkin Software, Inc.
Pulse Entertainment, Inc.
RealNetworks, Inc.
PlaceWare Inc.
BeVocal, Inc.
Savvion, Inc.
Primus Knowledge Solutions Inc.
DoubleClick Inc.
NetRatings, Inc.
Nuance Communications
MeasureCast, inc.
Infogate Inc.

Trans Cosmos' business development process



OFFICES AND RELATED FACILITIES

HEADQUARTERS

National Headquarter
Sumitomo Seimei Akasaka Bldg., 3-3-3 Akasaka, Minato-ku, Tokyo, 107-0052 Japan
Tel: +81-3-3586-2880 Fax: +81-3-3586-8616

OFFICE

Osaka Headquarter
Shin Asahi Bldg.,
2-3-18 Nakanoshima, Kita-ku, Osaka, 530-0005 Japan
Tel: +81-6-6202-7601 Fax: +81-6-6202-7610

Sapporo Office
Sumitomo Shoji Sapporo Bldg.,
1-6 Kitaichijo-Higashi, Chou-ku, Sapporo, 060-0031 Japan
Tel: +81-11-271-0259 Fax: +81-11-232-0180

Sendai Office
Miyagino Center Bldg.,
4-5-22 Zakuro-oka, Miyagino-ku, Sendai, 983-0852 Japan
Tel: +81-22-293-3255 Fax: +81-2 2-293-3181

Nagoya Office
Nagoya KS Bldg.,
3-1-18 Taiko, Nakamura-ku, Nagoya, 453-0801 Japan
Tel: +81-52-453-7585 Fax: +81-52-453-7587

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

Hiroshima Office
Hiroshima Green Bldg.,
8-12 Nakamachi, Naka-ku, Hiroshima, 730-0037 Japan
Tel:+ 81-82-249-4970 Fax: +81-82-249-5204

Fukuoka Office
Sumitomo Seimei 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

BOARD OF DIRECTORS AND CORPORATE DATA

BOARD OF DIRECTORS

Chairman, President and CEO	Koki Okuda
Vice Chairmen	Isamu Sagara Yoshiharu Uenoyama
Co-Chief Operating Officer & Executive Vice President	Koji Funatsu Masataka Okuda
Executive Vice President & Chief Corporate Strategist	Shozo Okuda
Executive Vice President	Yasuki Matsumoto
Senior Managing Directors	Toshikazu Tanizawa Kuniko Ishikawa Akihiko Soyama Hideaki Ishioka
Managing Directors	Kazuhiko Sugiura Tatsushi Maekawa Tsunetaka Miyaryo Shinichi Misawa Masayuki Tada Takahide Murao Koji Okamoto Hiroshi Kaizuka
Director & Corporate Advisor	Ichizo Nakai
Directors	Mitsuo Ishii Akira Miyake Tsugio Kanno Takuo Sakaguchi Masahiro Ueno Ji-Hyun Lee Shojiro Takashima Koichi Iwami Masaya Nishimura Yoichi Ochiai Masunaru Yamakawa Masakatsu Moriyama
Corporate Auditors	Kenkichiro Ookubo Katsumi Eguchi Masao Saito Kazumi Miyata

CORPORATE PROFILE

Name	Trans Cosmos, Inc.
Head office	Sumitomo Seimei Akasaka Bldg., 3-3-3, Akasaka, Minato-ku, Tokyo, 107-0052 Japan Phone : +81-3-3586-2880 Fax : +81-3-3586-8616
Incorporated	June 18, 1985
Capital	¥29,065,968,631 ; 24,397,023 outstanding shares ; 32,650 shareholders (as of March 31, 2002)
Employees	7,991 group, 5,043 parent (as of March 31, 2002)
Major banks	Sumitomo-Mitsui Banking Corporation Mizuho Corporate Bank, UFJ Bank

People & Technology

Creatively bringing people and technology together to increase the value we add through our services is the foundation of our business. That is why we include "People & Technology" in our logo. "People" means our top-notch staff, who are able to fulfill their roles right down to the finest details. "Technology" means the optimal IT solutions we are able to find for our clients by constantly monitoring the latest technology trends in search of ever-more-effective solutions. Our logo reflects our staunch commitment to staying grounded on this foundation, our intention to grow globally, and our dedication to bringing technology closer to people, making it easier to use by connecting people and technology in innovative ways.

CORPORATE PHILOSOPHY

Client satisfaction is the true value of our company, and the growth of each of our employees creates the value that shapes our future.

Commitment to our clients

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

Commitment to our employees

- The limitless potential of our employees is our greatest resource and we will support the education and training needed for each employee's growth.
- We will provide opportunities fairly, and will match compensation and new growth opportunities to demonstrated results and ability.

Commitment to society and our shareholders

- We strive to raise shareholder value and contribute to the progress of society by growing our business.