Financial Summary

CONSOLIDATED STATEMENTS OF INCOME

Years ended March 31	Millions of Yen (except per share data) 2003	2002	2001	2000	1999	Thousands of U.S. Dollars (except per share data) 2003
Net sales	¥ **71,073**	¥ 70,232	¥ 87,711	¥ 48,882	¥ 38,394	**$ 591,291**
Gross profit	**7,943**	(894)	26,228	13,638	8,840	**66,082**
Operating income	**(8,299)**	(14,173)	12,821	4,665	2,299	**(69,043)**
Net income	**(9,899)**	(17,612)	4,205	1,391	680	**(82,354)**
Net income per share	**(405.6)**	(721.9)	172.6	59.9	31.9	**(3.37)**

CONSOLIDATED BALANCE SHEETS

March 31	Millions of Yen 2003	2002	2001	2000	1999	Thousands of U.S. Dollars 2003
Total current assets	¥ **37,907**	¥ 51,421	¥ 69,005	¥ 58,194	¥ 24,949	**$ 315,366**
Total current liabilities	**10,531**	10,945	19,068	11,459	12,616	**87,612**
Total long-term liabilities	**1,123**	3,139	3,875	1,641	38	**9,343**
Total shareholders' equity	**49,550**	64,321	79,552	68,164	37,285	**412,230**

NON-CONSOLIDATED STATEMENTS OF INCOME

Years ended March 31	Millions of Yen (except per share data) 2003	2002	2001	2000	1999	Thousands of U.S. Dollars (except per share data) 2003
Net sales	¥ **57,389**	¥ 54,514	¥ 49,626	¥ 39,386	¥ 34,543	**$ 477,446**
Gross profit	**11,045**	10,821	10,494	8,794	7,866	**91,889**
Operating income	**2,514**	4,036	4,016	3,566	2,862	**20,916**
Net income	**(23,281)**	316	2,562	2,319	1,747	**(193,686)**
Net income per share	**(954.3)**	13.0	105.2	99.9	81.9	**(7.94)**
Cash dividends per share	**10.0**	20.0	20.0	20.0	20.0	**0.08**
Weighted average number of shares (thousand)	**24,396**	24,362	24,362	23,210	21,344	**24,396**

NON-CONSOLIDATED BALANCE SHEETS

March 31	Millions of Yen 2003	2002	2001	2000	1999	Thousands of U.S. Dollars 2003
Total current assets	¥ **16,553**	¥ 20,968	¥ 29,028	¥ 32,542	¥ 16,496	**$ 137,712**
Total current liabilities	**7,711**	7,230	11,977	5,861	11,149	**64,152**
Total long-term liabilities	**1,190**	3,250	3,636	292	76	**9,900**
Total shareholders' equity	**51,785**	75,531	76,241	72,876	39,831	**430,815**

Note: U.S. dollar amounts are translated from yen, solely for convenience, at the rate of ¥120.20 =U.S.$1.

Management's Discussion and Analysis

Net Sales

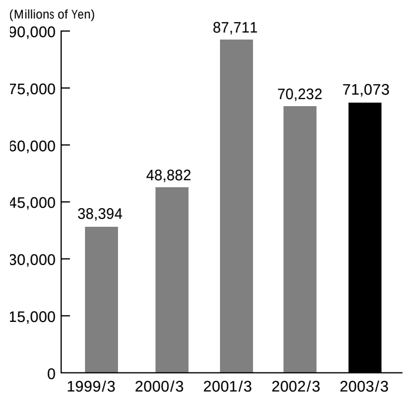
Harsh conditions persisted in the Japanese economy in fiscal 2002. Amid increasingly unstable international political conditions and growing uncertainty about the global economy, the Japanese economy was unable to break free of protracted deflation, and both private sector investment and consumer spending remained sluggish.

In this environment, our consolidated net sales grew 1.2% year-on-year to ¥71,073 million. In net sales by region, Japan grew 5.4% to ¥68,808 million, the United States fell 42.4% to ¥1,998 million, and Asia grew 10.3% to ¥267 million.

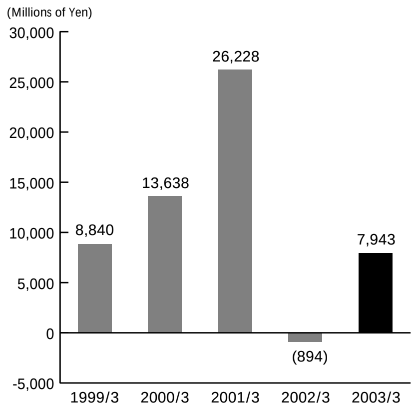
In net sales by segment, Computer Services grew 5.1% year-on-year to ¥69,513 million, held back by sluggish sales at existing businesses on the impact of declining value per order and increased competition for orders. Net sales continued to grow in the Marketing Chain Management Services domain as both Contact Center Services and Web Services won new orders. Net sales grew just slightly in the Development Services domain on mixed results: although design support orders from automakers and others were brisk, system development orders declined. Net sales declined in the Support Desk Services domain as operational restructuring and cost cutting at client companies placed severe downward price pressure on some contracts.

Net sales in Venture Capital fell 61.7% year-on-year to ¥1,560 million for an operating loss of ¥8,681 million as we adopted a conservative position based on the impact of the global decline in share prices, and marked down the value of operating investment securities. The parent company booked large extraordinary losses for overall reorganization and streamlining, marking down its stock holdings after adopting a more conservative stance toward the companies it invests in. This was intended to clear away concerns about possible future losses on such stocks.

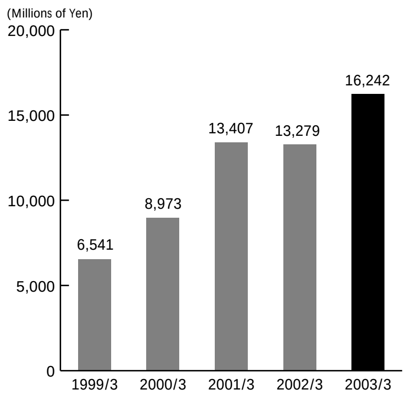
Net sales



Gross profit



SG & A Expense



Cost of Sales, SG & A Expenses

Cost of sales fell 11.2% year-on-year to ¥63,130 million, while the cost of sales ratio improved 12.5 percentage points to 88.8% from 101.3%. Gross profit was ¥7,943 million at a gross margin of 11.2%. SG&A expenses grew 22.3% year-on-year to ¥16,242 million.

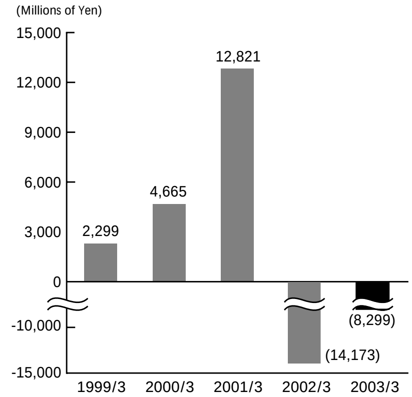
Operating Income and Net Income

transcosmos had a consolidated operating loss of ¥8,299 million. By region, operating profit fell 36.3% year-on-year to ¥5,312 million in Japan, the United States had an operating loss of ¥7,351 million, and Asia an operating loss of ¥1,820 million.

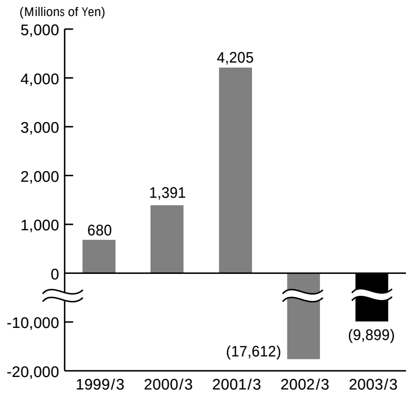
By segment, operating profit in Computer Services fell 41.7% year-on-year to ¥4,777 million. The segment took measures to improve cost of sales to support offering lower-priced services in response to a harsh business climate in which service unit prices have fallen due to intensified competition and appeals for service unit price cuts from client companies. At the same time, to expand sales, we aggressively invested in launching new services and increasing sales personnel in this segment. Venture Capital reported an operating loss of ¥8,681 million.

transcosmos had a consolidated net loss of ¥9,899 million, including extraordinary losses on write-downs of investments in affiliates and marketable securities and investments in securities.

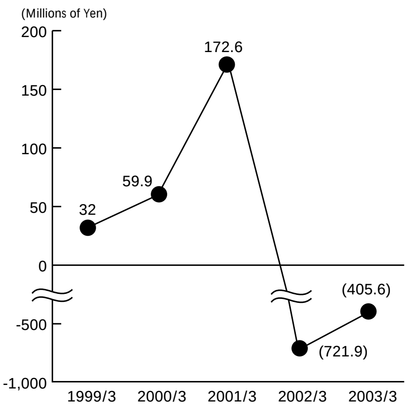
Operating income



Net income



Net income per share



Financial Section

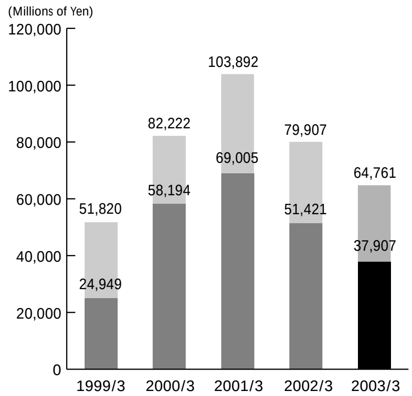
Financial Position

Consolidated total assets declined ¥15,146 million year-on-year to ¥64,761 billion. Total current assets fell ¥13,514 million to ¥37,907 million, due chiefly to a ¥12,726 million reduction in investment securities for operating purposes due to write downs, sales of stock, and declines in unrealized gains. Total investments and advances declined ¥7,278 million year on year to ¥7,212 million, due to a decrease in investments in and advances to unconsolidated subsidiaries and affiliates.

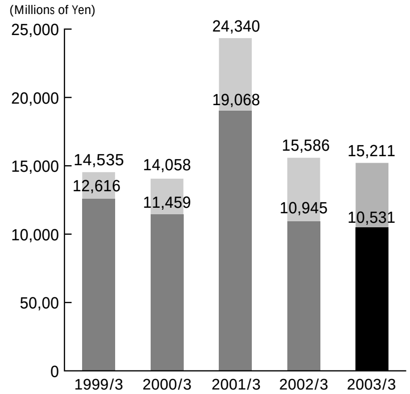
Total current liabilities fell ¥414 million year-on-year to ¥10,531 million, partly on income tax payable after booking a loss. Total long-term liabilities fell ¥2,016 million to ¥1,123 million after the current portion of long-term bank loans was converted into current liabilities. Total shareholders' equity fell ¥14,771 million to ¥49,552 million as the earned surplus declined ¥10,385 million year-on-year due to the ¥9,898 million net loss, and the currency translation adjustment account declined due to the strong yen.

The term-end interest-bearing debt balance was about ¥3,134 million, but this presents little concern as the balance of cash and cash equivalents was about ¥14,836 million.

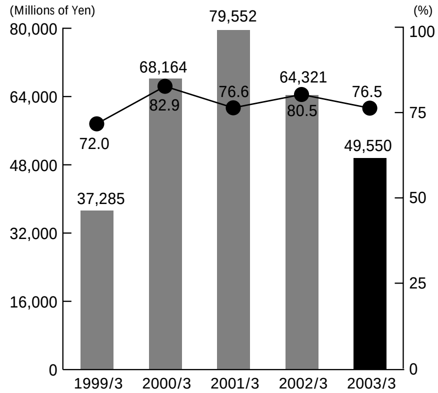
Total assets
Total current assets



Total liabilities
Total current liabilities



Total shareholders' equity
Equity ratio



Cash Flows

Net cash provided by operating activities grew ¥2,549 million year-on-year to ¥939 million. We attribute this to two main factors: 1) most of the net loss before income tax of ¥18,779 million came from stock write-downs and 2) ¥3,218 million in income tax was refunded.

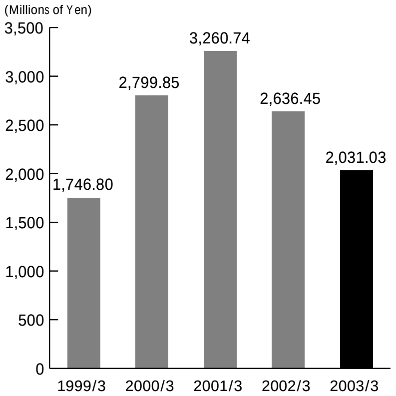
Net cash used in investing activities fell ¥1,281 million to ¥498 million. The chief source of expenditures was for updating of contact center and other equipment. Capital expenditures in this term divided into ¥989 million for payments for purchase of property and equipment and ¥412 million for payments for purchase of intangibles.

Net cash provided by financing activities grew ¥9,875 million to ¥1,163 million. The chief source of income was proceeds from ¥1,865 million in stock issue to minority interests. Cash and cash equivalents grew ¥1,052 million to ¥14,836 million.

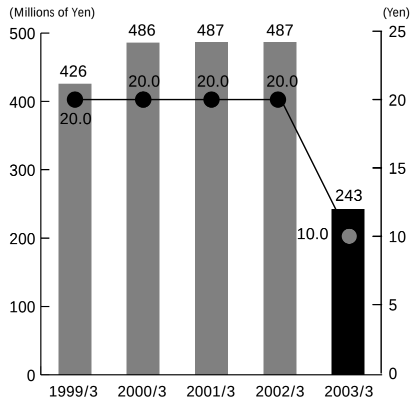
Forward-looking Statements

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

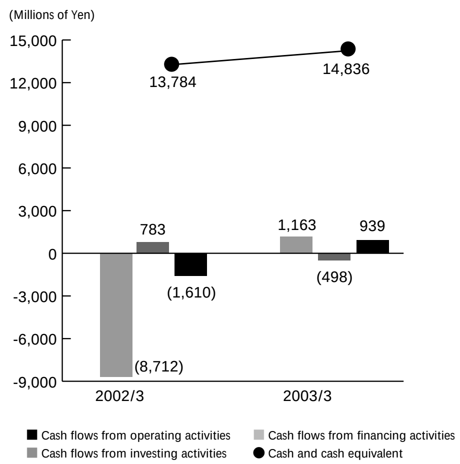
Total shareholders' equity per share



Total cash dividends
Cash devidends per share



Cash flows



Financial Section

transcosmos inc. AND ITS CONSOLIDATED SUBSIDIARIES

Consolidated Balance Sheets

At March 31, 2003 and 2002

	Millions of Yen		Thousands of U.S. Dollars (Note 4)
	2003	2002	**2003**
ASSETS			
Current Assets:			
Cash, Time deposits	**¥ 12,630**	¥ 11,746	**$ 105,075**
Marketable securities (Note 4)	**2,226**	2,058	**18,519**
Investments in securities for operating purposes	**3,070**	15,796	**25,541**
Notes and accounts receivable:			
Customers	**11,020**	9,870	**91,680**
Unconsolidated subsidiaries and affiliates	**6**	63	**50**
	11,026	9,933	**91,730**
Less: allowance for bad debt	**(389)**	(170)	**(3,236)**
	10,637	9,763	**88,494**
Job and software in progress and merchandise (Note 5)	**417**	617	**3,469**
Income taxes refundable	**4,084**	4,007	**33,977**
Deferred tax assets (Note 14)	**3,486**	3,984	**29,002**
Other current assets	**1,357**	3,450	**11,289**
Total current assets	**37,907**	51,421	**315,366**
Investments and Advances:			
Investments in securities (Note 4)	**2,258**	3,593	**18,785**
Investments in and advances to unconsolidated subsidiaries and affiliates	**3,117**	7,977	**25,932**
Other investments	**1,837**	2,920	**15,283**
Total investments and advances	**7,212**	14,490	**60,000**
Property Equipment, at cost, less Accumulated Depreciation (Note 6)	**4,884**	5,420	**40,632**
Fixed Leasehold Deposits (Note 7)	**2,897**	2,721	**24,101**
Deferred Charges, Intangibles and Other	**1,360**	2,537	**11,314**
Deferred tax assets	**9,459**	3,318	**78,694**
Prepaid pension costs	**1,042**	—	**8,669**
	¥ 64,761	¥ 79,907	**$ 538,777**

The accompanying notes are an integral part of the statements.

	Millions of Yen		Thousands of U.S. Dollars (Note 4)
	2003	2002	**2003**
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current Liabilities:			
Short-term bank loans (Note 8)	**¥ 105**	¥ 294	**$ 873**
Current portion of long-term bank loans	**2,068**	—	**17,205**
Accounts payable:			
Suppliers	**3,968**	3,673	**33,012**
Unconsolidated subsidiaries and affiliates	**14**	7	**116**
	3,982	3,680	**33,128**
Income taxes payable	**115**	1,343	**957**
Accrued bonuses to employees	**1,652**	1,474	**13,744**
Advance received	**574**	644	**4,775**
Reserve for loss on guarantees	**—**	300	**—**
Other current liabilities	**2,035**	3,210	**16,930**
Total current liabilities	**10,531**	10,945	**87,612**
Long-term Liabilities:			
Long-term bank loans	**1,066**	3,000	**8,869**
Deferred tax liabilities (Note 14)	**6**	0	**50**
Securities deposits received	**11**	4	**91**
Reserve for retirement benefits (Note 9)	**40**	135	**333**
Total long-term liabilities	**1,123**	3,139	**9,343**
Minority Interests in Subsidiaries	**3,557**	1,502	**29,592**
Contingent Liabilities (Note 10)			
Shareholders' Equity:			
Common stock:			
Authorized 90,088,176 shares at March 31, 2003 and 2002, respectively			
Issued 24,397,023 shares at March 31, 2003 and 2002, respectively	**29,066**	29,066	**241,814**
Capital surplus	**30,623**	30,623	**254,767**
Retained earnings	**(15,854)**	(5,468)	**(131,897)**
Unrealized gains on marketable securities and investments in securities	**422**	2,273	**3,511**
Foreign currency translation adjustments	**5,295**	7,828	**44,052**
	49,552	64,322	**412,247**
Treasury stock	**(2)**	(1)	**17**
Total shareholders' equity	**49,550**	64,321	**412,230**
	¥ 64,761	¥ 79,907	**$ 538,777**

The accompanying notes are an integral part of the statements.

Financial Section

transcosmos inc. AND ITS CONSOLIDATED SUBSIDIARIES

Consolidated Statements of Income

At March 31, 2003, 2002 and 2001

	Millions of Yen			Thousands of U.S. Dollars (Note 4)
	2003	2002	2001	**2003**
Net Sales (Note 15)	**¥ 71,073**	¥ 70,232	¥ 87,711	**$ 591,291**
Cost of Sales	**63,130**	71,126	61,483	**525,208**
Gross profit	**7,943**	(894)	26,228	**66,082**
Selling, General and Administrative Expenses	**16,242**	13,279	13,407	**135,125**
Operating income	**(8,299)**	(14,173)	12,821	**(69,043)**
Non-Operating Income (Expenses):				
Interest income	**119**	338	838	**990**
Interest expenses	**(37)**	(82)	(106)	**(308)**
New share issue expenses	**(23)**	(8)	(6)	**(191)**
Dividend income	**7**	13	22	**58**
Gain on sale/disposal of marketable securities	**—**	—	568	**—**
Gain on sale/disposal of investments in securities	**558**	779	—	**4,642**
Loss on sale/disposal of investments in securities	**(67)**	(131)	—	**(557)**
Loss on sale/disposal of property	**(276)**	(156)	(273)	**(2,296)**
Loss on liquidation of business segment (Note 14)	**(2,104)**	(992)	(489)	**(17,504)**
Gains on disposal of investments in affiliates	**—**	13	115	**1**
Loss on write-down of investments in affiliates	**(3,230)**	(2,280)	—	**(26,872)**
Equity in earnings of unconsolidated subsidiaries and affiliates	**(580)**	(2,824)	(1,597)	**(4,825)**
Foreign exchange gains/(losses)	**(1,120)**	696	25	**(9,318)**
Loss on investments in partnership	**(511)**	(1,363)	(746)	**(4,251)**
Loss on closure of offices	**—**	—	—	**—**
Loss on write-down of marketable securities and investments in securities	**(1,868)**	(2,239)	(1,815)	**(15,541)**
Gain on return of substitutional portion of employee pension fund	**755**	—	—	**6,281**
Gains on sale of stock by investees	**845**	1,392	139	**7,030**
Loss on sale of stock by investees	**—**	—	(41)	**—**
Loss on write-down of golf membership	**(75)**	(92)	(169)	**(624)**
New SFA development costs	**(2,651)**	(666)	—	**(22,050)**
Reserve for loss on guarantees	**—**	(300)	—	**—**
Amortization of transition amount arising from adopting new accounting (Note 9)	**—**	—	(60)	**—**
Other, net	**(222)**	(88)	(176)	**(1,848)**
	(10,480)	(7,990)	(3,771)	**(87,188)**
Income/(loss) before income taxes	**(18,779)**	(22,163)	9,050	**(156,231)**
Income Taxes (Note 15)				
- Current	**180**	2,524	9,130	**1,497**
- Refund	**(3,660)**	(4,007)	—	**(30,449)**
- Deferred	**(5,047)**	(2,902)	(4,632)	**(41,988)**
	(10,252)	(17,778)	4,552	**(85,291)**
Minority Interests in Net Income of Subsidiaries	**353**	166	(347)	**2,937**
Net income/(loss)	**¥ (9,899)**	¥ (17,612)	¥ 4,205	**$ (82,354)**

	Yen			U.S. Dollars
Per Share:				
Net income/(loss)	**¥ (405.6)**	¥ (721.9)	¥ 172.6	**$ (3.37)**
Cash dividends	**¥ 10.0**	¥ 20.0	¥ 20.0	**$ 0.08**
Weighted average number of shares (in thousands)	**24,396**	24,362	24,362	**24,396**

The accompanying notes are an integral part of the statements.

transcosmos inc. AND ITS CONSOLIDATED SUBSIDIARIES

Consolidated Statements of Shareholders' Equity

For the years ended March 31, 2003, 2002 and 2001

	Number of shares of common stock	Millions of Yen: Common Stock	Capital surplus	Retained earnings
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)
Cash dividends	—	—	—	(488)
Increase due to additional unconsolidated subsidiaries and affiliates	—	—	—	1
Net income for the year ended March 31, 2003	—	—	—	(9,899)
Balance at March 31, 2003	24,397,023	¥ 29,066	¥ 30,623	¥ (15,854)

	Thousands of U.S. Dollars (Note 4): Common Stock	Capital surplus	Retained earnings
Balance at March 31, 2002	$ 241,814	$ 254,767	$ (45,491)
Cash dividends	—	—	(4,060)
Increase due to additional unconsolidated subsidiaries and affiliates	—	—	8
Net income for the year ended March 31, 2003	—	—	(82,354)
Balance at March 31, 2003	$ 241,814	$ 254,767	$(131,897)

The accompanying notes are an integral part of the statements.

transcosmos inc. AND ITS CONSOLIDATED SUBSIDIARIES

Consolidated Statements of Cash Flows

For the years ended March 31, 2003, 2002 and 2001

	Millions of Yen			Thousands of U.S. Dollars (Note 4)
	2003	2002	2001	**2003**
Cash Flows from Operating Activities:				
Net income before income tax	**¥ (18,779)**	¥ (22,163)	¥ 9,050	**$ (156,231)**
Adjustments to reconcile net income to net cash provided by operating activities:				
Depreciation	**1,031**	928	827	**8,577**
Amortization of excess costs of investments over equity in net assets	**383**	517	189	**3,186**
Amortization of intangible assets	**270**	167	194	**2,246**
Accrued interest and dividend income	**(126)**	(351)	(859)	**(1,048)**
Accrued interest expenses	**37**	82	106	**308**
Foreign Exchange gains/losses	**1,074**	(692)	(24)	**8,935**
New share issue expenses	**23**	8	6	**191**
Loss on liquidation of business segment	**2,104**	992	489	**17,504**
Reserve for loss on guarantees	**—**	300	—	**—**
Loss on write-down of investments of affiliates	**3,230**	2,280	—	**26,872**
Equity in earnings of unconsolidated subsidiaries and affiliates	**580**	2,824	1,597	**4,825**
Dilution gain from change in equity interest	**(832)**	(1,392)	(139)	**(6,922)**
Gain on sale of investments in unconsolidated subsidiaries and affiliates	**6**	(13)	(115)	**50**
Gain on sale of marketable securities	**—**	—	(568)	**—**
Gain on sale/disposal of investments in securities	**(558)**	(779)	—	**(4,642)**
Gain on return of substitutional portion of employee pension fund	**(755)**	—	—	**(6,281)**
Reversal of allowance for bad debt	**393**	146	88	**3,270**
Increase in reserve for retirement benefits	**(351)**	36	52	**(2,920)**
Loss on write-down of investments in securities	**1,868**	2,239	1,815	**15,541**
Loss on investments in partnership	**511**	1,363	746	**4,251**
Loss on write-down of golf club membership	**75**	92	170	**624**
Loss on disposal of property	**276**	156	159	**2,296**
Loss on write-down of investments in securities for operating purposes	**7,236**	18,744	11,671	**60,200**
Loss on sale/disposal of investments in securities	**67**	131	—	**557**
Increase in accrued bonuses to employees	**155**	153	250	**1,289**
Increase in notes and accounts receivable	**(539)**	(65)	(2,686)	**(4,484)**
Increase in investment in securities for operating purposes	**1,377**	(1,705)	(7,918)	**11,456**
Increase/decrease in jobs and software in progress and merchandise	**52**	244	(80)	**432**
Increase in accounts payable	**315**	(481)	653	**2,621**
Other, net	**(142)**	(3,103)	(6,756)	**(1,181)**
Sub total	**(1,019)**	658	8,917	**(8,478)**
Interest and dividend income received	**191**	356	1,078	**1,589**
Interest expenses paid	**(41)**	(2)	(106)	**(341)**
Income tax refunded	**3,218**	—	—	**26,772**
Income tax paid	**(1,410)**	(2,622)	(9,917)	**(11,730)**
Net cash provided by/(used for) operating activities - forward	**939**	(1,610)	(28)	**7,812**
Cash Flows from Investing Activities:				
Place of long-term time deposits	**(1,717)**	(20)	(2,000)	**(14,285)**
Withdraw of long-term time deposits	**1,718**	2,000	11,000	**14,293**
Payments for purchase of marketable securities	**¥ —**	¥ —	¥ (800)	**$ —**

The accompanying notes are an integral part of the statements.

continued

	Millions of Yen			Thousands of U.S. Dollars (Note 4)
	2003	2002	2001	**2003**
Proceeds from sale of marketable securities	**¥ —**	¥ —	¥ 2,836	**$ —**
Payments for purchase of property and equipment	**(989)**	(818)	(1,934)	**(8,228)**
Payments for purchase of investments in securities	**(524)**	(1,009)	(3,477)	**(4,359)**
Proceeds from sale of investments in securities	**1,109**	1,508	333	**9,226**
Payments for purchase of investments in affiliates	**(765)**	(3,093)	—	**(6,364)**
Payments for sale of investments in subsidiaries due to change in scope of consolidation	**—**	(20)	—	**—**
Payments for purchase of investments in subsidiaries due to change in scope of consolidation	**—**	(121)	—	**(990)**
Proceeds from purchase of investments in subsidiaries due to change in scope of consolidation	**868**	86	—	**7,221**
Payments for purchase of intangibles	**(412)**	(356)	(703)	**(3,428)**
Payments for purchase of other investments	**(828)**	(1,083)	(13,795)	**(6,888)**
Proceeds from sale of other investments	**1,161**	3,709	710	**9,659**
Net cash provided by/(used for) investing activities - forward	**(498)**	783	(7,830)	**(4,143)**
Cash Flows from Financing Activities:				
Proceeds from short-term bank loans	**2,100**	22,000	12,891	**17,471**
Repayment of short-term bank loans	**(2,293)**	(24,947)	(12,240)	**(19,077)**
Proceeds from issuance of commercial paper	**—**	15,000	5,000	**—**
Payments for redemption of commercial paper	**—**	(20,000)	—	**—**
Proceeds from long-term bank loans	**—**	—	3,000	**—**
Repayment of long-term bank loans	**(16)**	(570)	(1,035)	**(133)**
Proceeds from new stock issue	**—**	—	812	**—**
Payments for purchase of treasury stock	**(1)**	(1)	(4)	**(8)**
Proceeds from sale of treasury stocks	**—**	1	4	**—**
Proceeds from stock issue to minority interests	**1,865**	435	773	**15,516**
Payments for capital reduction to minority interests	**—**	(132)	—	**—**
Cash dividends paid	**(488)**	(488)	(487)	**(4,060)**
Dividends paid to minority interests	**(4)**	(10)	(8)	**(33)**
Payment in relation to liquidation of affiliated companies	**—**	—	(348)	**—**
Net cash provided by/(used for) financing activities	**1,163**	(8,712)	8,358	**9,676**
Effect of exchange rate changes on cash and cash equivalents	**(592)**	2,423	1,191	**(4,925)**
Net increase in cash and cash equivalent	**1,014**	(7,116)	1,691	**8,411**
Increase due to increase in consolidated subsidiaries	**41**	119	118	**341**
Decrease due to decrease in consolidated subsidiaries	**—**	—	(673)	**—**
Cash and cash equivalents at beginning of year	**13,784**	20,871	19,645	**114,676**
Cash and cash equivalents at end of year	**¥ 14,836**	¥ 13,784	¥ 20,781	**$ 123,428**

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)
	2003	2002	2001	**2003**
Cash and time deposits	**¥ 12,630**	¥ 11,746	¥ 21,181	**$ 105,075**
Marketable securities	**2,226**	2,058	1,601	**18,519**
	14,856	13,804	22,781	**123,594**
Time deposits with maturity periods exceeding three months	**(20)**	(20)	(2,000)	**(166)**
Cash and cash equivalents	**¥ 14,836**	¥ 13,784	¥ 20,781	**$ 123,428**

The accompanying notes are an integral part of the statements.

continued

transcosmos inc. AND ITS CONSOLIDATED SUBSIDIARIES

Notes to the Consolidated Financial Statements

1. Basis of Presenting the Consolidated Financial Statements

(1) Accounting principles

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

The accounts of 10 overseas consolidated subsidiaries, transcosmos USA Inc., EGI Fund Management Company L.L.C., EGI Fund Management Company 2 L.L.C., Access Ventures Partners L.L.C., transcosmos America Inc., Career Incubation USA Inc. transcosmos Information Creative (China) Co., Ltd. (incorporated in China), Network Asia Inc., transcosmos 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 44 subsidiaries (majority-owned companies) as of March 31, 2003 (43 as of March 31, 2002 and 44 as of March 31, 2001). The consolidated financial statements include the accounts of the Company and 39 of its subsidiaries for the year ended March 31, 2003 (38 for the year ended March 31, 2002 and 37 for the year ended March 31, 2001).

The remaining 5 (5 for 2002 and 7 for 2001) 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 transcosmos USA Inc., EGI Fund Management Company L.L.C., EGI Fund Management Company 2 L.L.C., Access Ventures Partners L.L.C., transcosmos America Inc, Japan Internet Media Inc., PointCast Japan L.L.C., PointCast K.K., EnCompass Group K.K., transcosmos Information Creative (China) Co., Ltd., Network Asia Inc., Listen Japan K.K., transcosmos Hong Kong Ltd., Career Incubation USA Inc., AtomShockWave K.K. 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. When the situation that the effect of the difference between the cost of an investment and the amount of underlying equity in net assets of such subsidiaries is not expected occurs, the consolidation adjustments account according to this is reduced.

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 two unconsolidated subsidiaries and 14 affiliates (one unconsolidated subsidiary and 18 affiliates for the year ended March 31,2002 and 2001, respectively). The investments in the remaining unconsolidated subsidiaries and affiliates are carried at cost.

(4) Financial Instruments

Securities

Securities held by the Company and its subsidiaries are, under the accounting standard for financial instruments, 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. Cost of sales is determined by the moving-average method.

Other securities for which market quotations are unavailable are stated at cost, determined by the moving-average method.

(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) Accrued bonuses to employees

Accrued bonuses to employees is determined by certain consolidated subsidiaries based on estimated bonuses to be paid to employees.

(12) 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 the financial positions and other conditions of the guaranteed companies.

(13) Reserve for Retirement Benefits

The reserve for retirement benefits as of March 31, 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.

Following the enactment of the Welfare Pension Insurance Law in Japan, on March 31, 2003, the Company and certain consolidated subsidiaries, obtained approval from Japan's Ministry of Health, Labour and Welfare for exemption from the future benefit obligation with respect to the portion of the Employee Pension Fund that the Company and certain consolidated subsidiaries operate on behalf of the Government (the so-called substitutional portion). The Company and certain consolidated subsidiaries applied transitional provisions as prescribed in paragraph 47-2 of the "Practical Guidelines of Accounting for Retirement Benefits (Interim Report)" (Accounting Committee Report No.13 issued by the Japanese Institute of Certified Public Accountants) and a gain in the amount of ¥755 million ($6,281 thousand) for the settlement of the substitutional portion was recognized at the date of approval from Japan's Ministry of Health, Labour and Welfare.

The amount of plan assets to be returned is ¥2,959 million ($24,617 thousand) at March 31, 2003.

(14) Hedge Accounting

All derivatives are stated at fair value. Gains and losses arising from changes in fair value of the derivatives designated as "hedging instruments" are deferred as an asset or liability.

The derivative designated as hedging instruments by the Company are principally spot exchange forward agreement to reduce the exposure to the risk of foreign currency exchange rate fluctuation in respect of future transactions denominated in foreign currencies.

The Company has a policy to utilize the above hedging instruments in order to reduce the exposure to the risk of fluctuation of foreign currency exchange rate, based on the private regulation.

The Company evaluates effectiveness of its hedging activities by reference to the accumulated gains and losses on the hedging instruments and the related items from the commencement of the hedges.

(15) 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.

(16) 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 subsidiaries".

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

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

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

Income taxes were determined using the assets and liabilities 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.

(19) Net Income/(loss) per share
The computation of net income/(loss) 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 operations are the amounts applicable to the respective years.

Effective from the fiscal year ended March 31, 2003, the Company and its subsidiaries applied the Financial Accounting Standards No.2 "Financial Accounting Standards for Earning per Share" and the Financial Accounting Standards Implementation Guidance No.4 "Implementation Guidance for Accounting Standards for Earnings per share" issued by Accounting Standard Board of Japan on September 25, 2002. The effect of the adoption is set forth in Note18.

(20) Presentation of Balance Sheets
Effective from the fiscal year ended March 31, 2003, the Company adopted the new Japanese regulation for the presentation of Shareholders' equity. As a result of adoption of the new regulation, the Company represented the accounting terms as Common stock, Capital surplus, Retained earnings and other capital accounts in Shareholders' equity. Prior fiscal year's figures have been reclassified accordingly.

(21) Reclassifications
Certain amounts for the years ended March 31, 2002 and 2001 have been reclassified in conformity with 2003 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 ¥120.2=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 ¥120.2=US$1 or any other rate.

4. Marketable Securities and Investment in Securities

(1) The cost, book value and unrealized gain or loss for other securities with fair value as of March 31, 2002 and 2003 were as follows:

		Millions of Yen 2003		
Description		Acquisition cost	Book value (Fair market value)	Unrealized gain (loss)
Case 1	Shares	¥ 2,054	¥ 2,928	¥ 874
Case 2	Shares	¥ 639	¥ 584	¥ (55)
	Grand total	¥ 2,693	¥ 3,512	¥ (819)

		Millions of Yen 2002		
Description		Acquisition cost	Book value (Fair market value)	Unrealized gain (loss)
Case 1	Shares	¥ 2,618	¥ 6,352	¥ 3,734
	Others	—	—	—
		2,618	6,352	3,734
Case 2	Shares	¥ 1,572	¥ 1,170	¥ (402)
	Others	195	119	(76)
		1,767	1,289	(478)
	Grand total	¥ 4,385	¥ 7,641	¥ (3,256)

		Thousands of U.S. Dollars 2003		
Description		Acquisition cost	Book value (Fair market value)	Unrealized gain or loss
Case 1	Shares	$17,088	$24,359	$ 7,271
Case 2	Shares	$ 5,316	$ 4,859	$ (458)
	Grand total	$22,404	$29,128	$ 6,813

Note:

Case 1: Fair market value exceeds acquisition cost.

Case 2: Fair market value does not exceed acquisition cost.

(2) Other securities sold during this fiscal year

	Millions of Yen		Thousands of U.S. Dollars (Note 3)
	2003	2002	2003
Proceeds from sales of available-for-sale securities	¥ 9,974	¥ 4,742	$ 82,978
Realized gain	1,125	2,797	9,359
Realized loss	(1,037)	(13)	(8,627)

(3) Book value of major securities without fair value as of March 31, 2002 and 2003 are as follows:

	Millions of Yen		Thousands of U.S. Dollars (Note 3)
	2003	2002	2003
Unlisted stocks	¥ 1,955	¥ 9,716	$ 16,265
MMA	1,726	2,058	14,359
FFF	500	—	4,160
	¥ 4,181	¥ 11,774	$ 34,784

Note1: Besides the above, the equity amount equivalent to the evaluation difference of the financial assets, which there is an investment-to-investment partnership and is contained in union composition property, is ¥129,791 million.

Note2: In this fiscal year, about other securities with fair value, decrease processing of ¥1,363 million is performed and the acquisition cost is taken as the amount of money after decrease.

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. Properties and Equipment

Property and equipment as of March 31, 2003 and 2002 are summarized as follows:

	Millions of Yen		Thousands of U.S. Dollars
	March 31,		March 31,
	2003	2002	2003
Buildings and structures	¥ 3,027	¥ 3,328	$ 25,183
Cars and vehicles	23	76	191
Equipment, furniture and fixtures	4,224	3,892	35,142
	7,274	7,296	60,516
Less: accumulated depreciation	(3,609)	(3,256)	(30,025)
	3,665	4,040	30,491
Land	1,219	1,236	10,141
Construction in progress	—	144	—
	¥ 4,884	¥ 5,420	$ 40,632

7. Fixed Leasehold Deposits

Fixed leasehold deposits as of March 31, 2003 and 2002 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, 2003 is as follows:

Year ending March 31,	Millions of Yen	Thousands of U.S. Dollars
2004	¥ 1,031	$ 8,577
2005	19	158
2006	16	133
	¥ 1,066	$ 8,868

9. Retirement Benefit Plan

The reserve for retirement benefits as of March 31, 2003 and 2002 is analyzed as follows:

	Millions of Yen		Thousands of U.S. Dollars
	As of March 31,		As of March 31,
	2003	2002	2003
Projected benefit obligations	¥ 2,904	¥ 5,388	$ 24,160
Plan assets	2,711	5,616	22,554
	193	228	1,606
Unrecognized actuarial differences	1,195	869	9,942
Unrecognized prior service costs	—	1,079	—
	1,002	18	8,336
Prepaid pension costs	1,042	153	8,669
The reserve for retirement benefits	¥ 40	¥ 135	$ 333

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 2003 was as follows:

	Millions of Yen		Thousands of U.S. Dollars
	For the years ended March 31,		For the year ended March 31,
	2003	2002	2003
Service cost	¥ 437	¥ 484	$ 3,636
Interest cost	82	94	682
Expected return on plan assets	(115)	(118)	(957)
Amortization of actuarial differences	(218)	—	(1,814)
Amortization of unrecognized prior service costs	216	44	1,797
Net pension expenses	406	504	3,378
Gain on return of substitutional portion of employee pension fund	(755)	—	(6,281)
	¥ (349)	¥ 504	$ (2,903)

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

	As of March 31, 2003	As of March 31, 2002
Discount rate	1.0 %	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 costs	5 years	5 years
Amortization of unrecognized actuarial differences	5 years	5 years

10. Contingent Liabilities

As of March 31, 2003, the Group was contingently liable as guarantor or under comfort letters or similar instruments for the following borrowings incurred by its unconsolidated subsidiaries, affiliates and others.

	Millions of Yen	Thousands of U.S. Dollars
	March 31, 2003	March 31, 2003
Guarantees on loans and other:		
So (director of Soft Brain Inc.)	¥ 199	$ 1,665
Access Media International Partners Ind.	186	1,547
J-One Inc.	196	1,631
Other	52	433
	¥ 633	$ 5,266

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, 2003 and 2002, is as follows:

	Millions of Yen		
	March 31, 2003		
	Acquisition Costs	Accumulated Depreciation	Net Leasehold Property
Buildings	¥ 41	¥ 23	¥ 18
Cars and Vehicles	12	2	10
Furniture and Fixtures	1,616	783	833
Software	371	177	194
Total	¥ 2,040	¥ 985	¥ 1,055

	Millions of Yen		
	March 31, 2002		
	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

	Thousands of U.S. Dollars		
	March 31, 2003		
	Acquisition Costs	Accumulated Depreciation	Net Leasehold Property
Buildings	$ 341	$ 191	$ 150
Cars and Vehicles	100	17	83
Furniture and Fixtures	13,444	6,514	6,930
Software	3,087	1,473	1,614
Total	$16,972	$ 8,195	$ 8,777

Future minimum lease payments under finance lease, which included the imputed interest expense on such lease contracts as of March 31, 2003 and 2002, are as follows:

	Millions of Yen		Thousands of U.S. Dollars
	March 31,		March 31,
	2003	2002	2003
Due within one year	¥ 445	¥ 455	$ 3,702
Due after one year	614	837	5,108
	¥ 1,059	¥ 1,292	$ 8,810

Depreciation expense, lease expense and interest expense which are not reflected in the accompanying consolidated statements of income for the years ended March 31, 2003 and 2002, would be as follows:

	Millions of Yen		Thousands of U.S. Dollars
	March 31,		March 31,
	2003	2002	2003
Depreciation expense	¥ 490	¥ 416	$ 4,077
Lease expense	417	467	3,469
Interest expense	32	36	266

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 counter parties also expose the Company to the risk of credit loss in the event of non-performance to the currency; however, the Company does not anticipate non-performance by any of these counter parties 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 write-down of investments of affiliates

Loss on write-down of investments of affiliates includes the amortization of the difference between the cost of an investment and the amount of underlying equity in net assets of such subsidiaries of ¥2,970 million ($24,709 thousands)

14. Loss on Liquidation of Business Segment

In connection with the bankruptcy of subsidiaries, the Group incurred a loss of ¥3,104 million ($25,824 thousand) in the year ended March 31, 2003, which consisted of the following:

	Millions of Yen	Thousands of U.S. Dollars
	March 31, 2003	March 31, 2003
Loss on write-down of inventories	¥ 251	$ 2,088
Loss on write-down of investments in affiliates	1,602	13,328
Others	251	2,088
	¥ 2,104	$ 17,504

15. Income Taxes

The Company and its domestic subsidiaries are subject to several taxes based on income, which in the aggregate resulted in statutory tax rates of approximately 42.0% for the years ended March 31, 2003 and 2002. Foreign subsidiaries are subject to income taxes of the countries in which they operate.

The difference between the effective tax rate and statutory tax rate for the year ended March 31, 2003 and 2002 is not presented because of the net loss in the year.

According to the Act for Partial Revision of Local Tax Law proclaimed March 31, 2003, the statutory effective tax rate, which is to be used for calculation of deferred tax assets and liabilities relating to temporary differences for the fiscal year ended March 31, 2003 was changed to the amended statutory effective tax rate. The effect of the adoption of the new standard for the current fiscal year was immaterial.

The tax effects of temporary differences that give rise to significant portion of the deferred tax assets and liabilities as of March31, 2003 and 2002 are summarized as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2003	2002	2003
Deferred tax assets:			
Accrued bonus	¥ 536	¥ 373	$ 4,459
Accrued enterprise tax	7	84	58
Write-down of investments in securities for operating purpose	1,506	3,393	12,529
Gain on disposal of investments in affiliates	2,977	2,977	24,763
Write-down of golf club membership	141	114	1,173
Tax loss carry forward	14,045	2,615	116,847
Write-down of investments affiliates	1,241	—	10,324
Allowance for bad doubt	1,173	—	9,759
Others	953	630	7,929
	22,579	10,186	187,845
Valuation allowance	(9,099)	(2,615)	(75,699)
Total deferred tax assets	13,480	7,571	112,146
Deferred tax liabilities:			
Valuation difference on other securities	267	54	2,221
Gain on capital reduction	148	154	1,231
Prepaid pension cost	119	—	990
Others	7	61	58
Total deferred tax liabilities	541	269	4,500
Net deferred tax assets	¥ 12,939	¥ 7,302	$107,646

16. Segment Information

(1) Industry Segment Information

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

Industry segment:	Major activities:
Computer 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, 2003, classified by industry segments is summarized as follows:

	For the year ended March 31, 2003				
	Millions of Yen				
	Computer Service	Venture Capital	Total	Elimination & Unallocatable Amounts	Consolidated
Sales:					
Sales to outside customers	¥ 69,513	¥ 1,560	¥ 71,073	¥ —	¥ 71,073
Inter-segment sales/ transfers	100	224	324	(324)	—
Total	69,613	1,784	71,397	(324)	71,073
Operating expenses	64,836	10,465	75,301	4,071	79,372
Operating profit or loss	4,777	(8,681)	(3,904)	(4,395)	(8,298)
Assets	¥ 37,799	¥ 18,894	56,693	¥ 8,068	64,761
Depreciation	930	27	957	344	1,301
Capital expenditure	1,133	43	1,176	225	1,401

	For the year ended March 31, 2002				
	Millions of Yen				
	Computer Service	Venture Capital	Total	Elimination & Unallocatable Amounts	Consolidated
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, 2003 Thousands of U.S. Dollars				
	Computer Service	Venture Capital	Total	Elimination & Unallocatable Amounts	Consolidated
Sales:					
Sales to outside customers	$ 578,311	$ 12,978	$ 591,289	$ —	$ 591,289
Inter-segment sales/ transfers	832	1,864	2,696	(2,696)	—
Total	579,143	14,842	593,985	(2,696)	591,289
Operating expenses	539,401	87,063	626,464	33,868	660,332
Operating profit or loss	39,742	(72,221)	(32,479)	(36,564)	(69,043)
Assets	$ 314,468	$ 157,188	$ 471,656	$ 67,121	$ 404,535
Depreciation	7,737	225	7,962	2,862	5,100
Capital expenditure	9,426	358	9,784	1,872	7,912

(Note 1) The amounts of operating loss included in the column “Elimination or Unallocatable Amount” are ¥4,394 million and ¥3,743 million for the years ended March 31, 2003 and 2002, 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 ¥8,305 million and ¥32,594 million for the years ended March 31, 2003 and 2002, 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:

	2003 Millions of Yen					
	Japan	U.S.A.	Asia	Total	Elimination or Unallocatable Amounts	Consolidated
Sales:						
(1) Sales to outside customers	¥ 68,808	¥ 1,998	¥ 267	¥ 71,073	¥ —	¥ 71,073
(2) Intersegment sales/transfer	256	107	124	487	(487)	—
Total	69,064	2,105	391	71,560	(487)	71,073
Operating expenses	63,752	9,456	2,211	75,419	3,953	79,372
Operating profit or losses	¥ 5,312	¥ (7,351)	¥ (1,820)	¥ (3,859)	¥ (4,940)	¥ (8,299)
Assets	¥ 33,828	¥ 18,315	¥ 4,509	¥ 56,652	¥ 8,109	¥ 64,761

	2002 Millions of Yen					
	Japan	U.S.A.	Asia	Total	Elimination or Unallocatable Amounts	Consolidated
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

	2003 Thousands of U.S. Dollars					
	Japan	U.S.A.	Asia	Total	Elimination or Unallocatable Amounts	Consolidated
Sales:						
(1) Sales to outside customers	$572,446	$ 16,622	$ 2,221	$591,289	$ —	$591,289
(2) Intersegment sales/transfer	2,130	890	1,032	4,052	(4,052)	—
Total	574,576	17,512	3,253	595,341	(4,052)	591,289
Operating expenses	530,383	78,669	18,394	627,446	32,886	660,332
Operating profit or losses	$ 44,193	$ (61,157)	$ (15,141)	$ (32,105)	$ (36,938)	$ (69,043)
Assets	$281,431	$152,371	$ 37,512	$471,314	$ 67,463	$538,777

(Note 1) The amounts of operating loss included in the column “Elimination or Unallocatable Amount” are ¥4,394 million and ¥3,743 million for the years ended March 31, 2003 and 2002, 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 ¥8,305 million and ¥32,823 million for the years ended March 31, 2003 and 2002, 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, Korea and Taiwan.

(3) Sales outside Japan

	For the year ended March 31, 2003 Millions of Yen		
	U.S.A.	Other	Total
Overseas sales	¥ 2,223	¥ 271	¥ 2,494
Consolidated sales	—	—	71,073
Ratio	3.1%	0.4%	3.5%

	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%

	For the year ended March 31, 2003		
	Thousands of U.S.Dollars		
	U.S.A.	Other	Total
Overseas sales	$18,494	$ 2,255	$20,749
Consolidated sales	—	—	591,289
Ratio	3.1%	0.4%	3.5%

(Notes 1) The segment of “Other” represents China, and Korea

(Notes 2) Overseas sales represent those of the Company and consolidated subsidiaries to countries and areas outside of Japan.

17. Related Party Transactions

No material transactions of the directors of the Group companies for the year ended March 31, 2003 are noted.

18. Net (loss) Income and Dividends per Share

Net (loss) income per share shown for each year in the accompanying Consolidated Statements of Income and Retained Earnings, are based upon the weighted average number of shares of common stock outstanding during each year. No diluted effect on net income per share for fiscal 2001, and on net loss per share for fiscal 2002 and 2003 is disclosed since the Company has issued neither bond with subscription warrant nor convertible bonds.

Effective from the year ended March 31, 2003, the Company and its subsidiaries applied the Financial Accounting Standards No.2 “Financial Accounting Standards for Earnings per Share” and the Financial Accounting Standards Implementation Guidance No.4 “Implementation Guidance for Accounting Standards for Earnings per share” issued by Accounting Standard Board of Japan on September 25, 2002.

Basis for the calculation of net loss per share for the year ended March 31, 2003, is as follows:

	Millions of Yen	Thousands of U.S. Dollars
Net loss	¥ (9,899)	$(82,354)
Less: Components not pertaining to common shareholders	—	—
Net loss pertaining to common stock	(9,899)	(82,354)
Average outstanding shares of common stock (shares)	24,396	24,396

By applying the current method, the amounts of net loss per share for the year ended March 31, 2003 is calculated as follows:

	Yen	U.S. Dollars
Net loss per share	¥ (405.6)	$ (3.37)
Net assets per share	(2,031.0)	(16.89)

Cash dividend per share shown for each year in the accompanying Consolidated Statement of Income represent dividends declared as applicable to the respective years, rather than those paid in the respective years.

19. Subsequent Events

(1) On May 22, 2003, Board of Directors determined the followings for the purpose of securing adequate internal reserves, and on June 27, 2003 General Shareholders’ Meeting approved the followings.

The above meeting resolved to transfer ¥7,622 million (US$ 63,411 thousand) of paid-in capital to other capital surplus in accordance with the Clause 2, Article 289 of the Commercial Code for the purpose of the capital measures, that is, the fulfillment of profits available for distribution and the acquisition of treasury stock, etc.

1) Summary of the paid-in capital.
① The amount of the decreased paid-in capital
¥7,622million
② The amount of the paid-in capital after decreasing
¥15,000million
③ The amount of the paid-in capital before decreasing
¥22,622million

2) Day of decreasing the paid-in capital
① The Board of Directors determination day
on May 22, 2003
② The General shareholders’ Meeting approval days
on June 27, 2003
③ The last day that the creditors can raise objections
on early August 2003

(2) On May 22, 2003, Board of Directors determined the acquisition of the treasury stock for the purpose of executing the flexible capital policy corresponding to the environmental change, and on June 27, 2003 General Shareholders’ Meeting approved as follows.

1) Summary of the acquisition
① Type of shares to be acquired
Common stock
② Maximum number of shares to be acquired
3 million shares (12.3% of the all issued stocks)
③ Maximum amount of acquired
50 billion yen

REPORT OF INDEPENDENT AUDITORS

To the Board of Directors of
transcosmos inc.

We have audited the accompanying consolidated balance sheets of transcosmos inc. and its consolidated subsidiaries as of March 31, 2003 and 2002, and the related consolidated statements of operations, shareholders' equity, and cash flows for each of the three in the period ended March 31, 2003, all expressed in Japanese Yen. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with auditing standards, procedures and practices generally accepted and applied in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall consolidated financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of transcosmos inc. and its consolidated subsidiaries as of March 31, 2003 and 2002, and the consolidated results of their operations and their cash flows for each of the three in the period ended March 31, 2003, in conformity with accounting principles and practices generally accepted in Japan (see Note 1).

The amounts expressed in U.S. dollars, which are provided solely for the convenience of the reader, have been translated on the basis set forth in Note 3 to the accompanying consolidated financial statements.

ChuoAoyama Audit Corporation

ChuoAoyama Audit Corporation
Tokyo, Japan
June 27, 2003

transcosmos inc.

Non-Consolidated Balance Sheets

For the years ended March 31, 2003 and 2002

	Millions of Yen		Thousands of U.S. Dollars (Note 3)
	2003	2002	**2003**
ASSETS			
Current Assets:			
Cash, Time deposits and commercial paper	**¥ 3,491**	¥ 2,975	**$ 29,043**
Notes and accounts receivable:			
Customers	**8,405**	7,544	**69,925**
Subsidiaries and affiliates	**162**	816	**1,347**
	8,567	8,360	**71,272**
Less: allowance for bad debt	**(2,837)**	(7)	**(23,602)**
	5,730	8,353	**47,670**
Short-term loans to subsidiaries	**4,620**	7,892	**38,436**
Job and software in progress and merchandise	**13**	133	**108**
Deferred tax assets	**1,638**	320	**13,627**
Merchandise	**137**	237	**1,140**
Prepaid expenses	**268**	187	**2,230**
Other current assets	**656**	871	**5,458**
Total current assets	**16,553**	20,968	**137,712**
Investments and Advances:			
Investments in securities	**1,857**	3,458	**15,449**
Investments in and advances to subsidiaries and affiliates	**19,236**	43,141	**160,033**
Long-term loans to subsidiaries	**7,413**	8,000	**61,672**
Other investments	**1,715**	2,973	**14,268**
Total investments and advances	**30,221**	57,572	**251,422**
Property Equipment, at cost, less Accumulated Depreciation	**3,521**	3,792	**29,293**
Fixed Leasehold Deposits	**2,359**	2,182	**19,626**
Deferred Charges, Intangibles and Other	**573**	519	**4,768**
Deferred tax assets	**6,455**	978	**53,702**
Prepaid Pension tax	**1,003**	—	**8,344**
	¥ 60,685	¥ 86,011	**$ 504,867**

The accompanying notes are an integral part of the statements.

	Millions of Yen		Thousands of U.S. Dollars (Note 3)
	2003	2002	**2003**
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current Liabilities:			
Current portion of long-term bank loans	**¥ 2,000**	¥ —	**$ 16,639**
Accounts payable:			
Suppliers	**1,703**	1,883	**14,168**
Subsidiaries and affiliates	**1,250**	1,300	**10,399**
	2,953	3,183	**24,567**
Income taxes payable	**17**	929	**141**
Accrued expenses	**810**	1,033	**6,739**
Accrued bonuses to employees	**1,365**	1,115	**11,356**
Reserve for loss on guarantees	**—**	300	**—**
Other current liabilities	**566**	670	**4,710**
Total current liabilities	**7,711**	7,230	**64,152**
Long-term Liabilities:			
Long-term bank loans	**1,000**	3,000	**8,319**
Deferred tax liabilities	**—**	—	**—**
Reserve for retirement benefits	**—**	68	**—**
Other long-term liabilities	**190**	182	**1,581**
Total long-term liabilities	**1,190**	3,250	**9,900**
Shareholders' Equity:			
Common stock:			
Authorized 90,088,176 shares at March 31, 2003 and 2002, respectively			
Issued 24,397,023 shares at March 31, 2003 and 2002, respectively	**29,066**	29,066	**241,814**
Capital surplus	**30,623**	30,623	**254,767**
Legal reserve	**389**	389	**3,236**
General reserve	**14,900**	14,900	**123,960**
Retained earnings	**(23,289)**	480	**(193,752)**
Unrealized gains on marketable securities and investments in securities	**97**	74	**807**
Treasury stock, at cost, 731 shares at March 31, 2003 and 174 shares at March 31, 2002	**(2)**	(1)	**17**
Total shareholders' equity	**51,785**	75,531	**430,815**
	¥ 60,685	¥ 86,011	**$ 504,867**

The accompanying notes are an integral part of the statements.

Financial Section

transcosmos inc.

Non-Consolidated Statements of Operations

For the years ended March 31, 2003, 2002 and 2001

	Millions of Yen			Thousands of U.S. Dollars (Note 3)
	2003	2002	2001	**2003**
Net Sales	**¥ 57,389**	¥ 54,514	¥ 49,626	**$ 477,446**
Cost of Sales	**46,344**	43,693	39,132	**385,557**
Gross profit	**11,045**	10,821	10,494	**91,889**
Selling, General and Administrative Expenses	**8,531**	6,785	6,478	**70,973**
Operating income	**2,514**	4,036	4,016	**20,916**
Non-Operating Income (Expenses):				
Interest income	**146**	191	305	**1,215**
Interest expenses	**(29)**	(42)	(46)	**(241)**
Dividend income	**13**	58	1,137	**108**
Loss on sale/disposal of property	**(184)**	(78)	(218)	**(1,531)**
Loss on disposal of inventories	**(67)**	(131)	—	**(557)**
Loss on write-down of marketable securities and investments in securities	**(1,739)**	(2,053)	(1,777)	**(14,468)**
Loss on write-down of golf club membership	**(75)**	(92)	(169)	**(624)**
Gain on sale/disposal of marketable securities	—	—	459	—
Gain on sale/disposal of investments in securities	**558**	665	—	**4,642**
Gain on sale/disposal of investments in affiliates	**149**	4,610	2,541	**1,240**
Gain on return of substitutional portion of employee pension fund	**719**	—	—	**5,982**
Loss on liquidation of business segment	**(25,729)**	(3,946)	(794)	**(214,052)**
New share issue expenses	—	—	(6)	—
Loss on investments in partnership	**(511)**	(1,363)	(742)	**(4,251)**
Loss on closure of offices	—	—	—	—
New SFA development costs	**(2,934)**	(757)	—	**(24,409)**
Reserve for loss on guarantees	—	(300)	—	—
Provision for allowance for bad debt	**(2,785)**	—	—	**(23,170)**
Other, net	**(120)**	(8)	(160)	**(999)**
	(32,588)	(3,246)	530	**(271,116)**
Income/(loss) before income taxes	**(30,074)**	790	4,546	**250,200**
Income Taxes				
- Current	**14**	1,513	2,148	**116**
- Deferred	**(6,807)**	(1,039)	(164)	**(56,630)**
Net income/(loss)	**¥ (23,281)**	¥ 316	¥ 2,562	**$ (193,686)**

	Yen			U.S. Dollars
Per Share:				
Net income/(loss)	**¥ (954.3)**	¥ 13.0	¥ 105.2	**$ (7.94)**
Cash dividends	**¥ 10.0**	¥ 20.0	¥ 20.0	**$ 0.08**
Weighted average number of shares (in thousands)	**24,396**	24,362	24,362	**24,396**

The accompanying notes are an integral part of the statements.

transcosmos inc.

Non-Consolidated Statements of Shareholders' Equity

For the years ended March 31, 2003, 2002 and 2001

Millions of Yen

	Number of shares of common stock	Common stock	Capital surplus	Legal reserve	General reserve	Retained earnings
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
Cash dividends	—	—	—	—	—	(488)
Net income for the year ended March 31, 2003	—	—	—	—	—	(23,281)
Balance as at March 31, 2003	24,397,023	¥29,066	¥30,623	¥ 389	¥ 14,900	¥ (23,289)

Thousands of U.S. Dollars

	Common stock	Capital surplus	Legal reserve	General reserve	Retained earnings
Balance as at March 31, 2002	$ 241,814	$ 254,767	$ 3,236	$ 123,960	$ 3,993
Cash dividends	—	—	—	—	(4,059)
Net income for the year ended March 31, 2003	—	—	—	—	193,686
Balance as at March 31, 2003	$ 241,814	$ 254,767	$ 3,236	$ 123,960	$ 193,752

The accompanying notes are an integral part of the statements.

Financial Section

transcosmos inc.

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 transcosmos 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, 2003, 2002 and 2001.

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, 2003, 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 ¥120.2=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 ¥120.2=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.

Investor Information

CORPORATE INFORMATION

Name	transcosmos inc.
Head Office	Sumitomo Seimei Akasaka Bldg., 3-3-3, Akasaka, Minato-ku, Tokyo 107-0052, Japan
Incorporated	June 18, 1985
Capital	¥29,065,968,631
Employees	8,529 group, 5,365 parent (as of March 31, 2003)
Major Banks	Sumitomo Mitsui Banking Corporation Mizuho Corporate Bank, Ltd. UFJ Bank Limited

STOCK INFORMATION

Accounting Year-End
March 31

Month of General Shareholders' Meeting
June

Issued Common Stocks
24,397,023
(as of March 31, 2003)

Number of Shareholders
33,540 shareholders
(as of March 31, 2003)

Stock Exchange Listing
Tokyo Stock Exchange

Auditing Corporation
ChuoAoyama Audit Corporation

BOARD OF DIRECTORS

Founder & Group CEO	Koki Okuda
Chairman & CEO	Koji Funatsu
President & COO	Masataka Okuda
Executive Vice Presidents	Toshikazu Tanizawa Yasuki Matsumoto
Senior Managing Directors	Kazuhiko Sugiura Shinichi Misawa
Managing Directors	Tatsushi Maekawa Masayuki Tada Tsunetaka Miyaryo Hiroshi Kaizuka Koji Okamoto Masaya Nishimura Koichi Iwami Masahiro Ueno Akira Miyake Masakatsu Moriyama
Directors	Shojiro Takashima Yoichi Ochiai Masunaru Yamakawa Tsugio Kanno Tsutomu Kawase Hiroyuki Shibuya Kazuhiro Shimizu Masaaki Muta
Corporate Auditors	Isamu Sagara Yoshiharu Uenoyama Masao Saito Kazumi Miyata

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