



The Marketing Chain Management Company



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Annual Report 2005
Year ended March 31, 2005



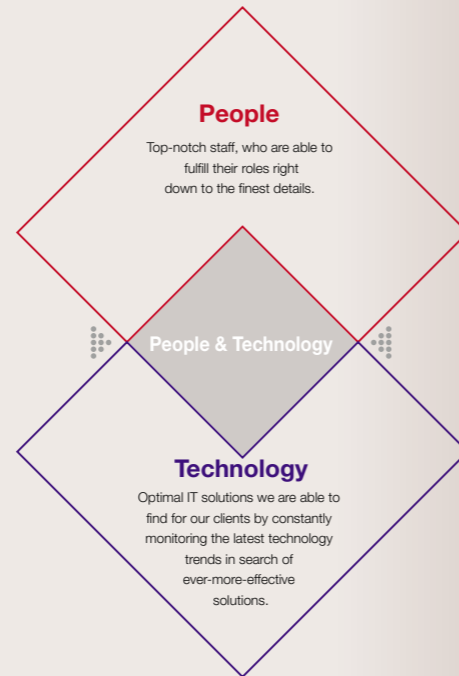
The Marketing Chain Management Company

“Marketing Chain Management” is the name we at transcosmos have given to the outsourcing services model we developed to propel us forward as we move into the 21st century. An amalgamation of transcosmos’ years of experience and accumulated expertise, Marketing Chain Management promises to revolutionize marketing. Considering the current trend that the Internet has become indispensable to our daily lives and businesses, we support customers to synchronize real-time marketing opportunities with the contact and call centers that enable companies and consumers to communicate directly with one another.

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
- Commitment to our employees
- Commitment to society and our shareholders



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- Consolidated **Net Sales** grew 17.9% to **¥91,898** million.
- Consolidated **Operating Income** grew to **¥4,997** million.
- Consolidated **Net Income** grew to **¥4,848** million.
- Consolidated **Total Assets** was **¥86,915** million.
- Consolidated **Total Shareholders’ Equity** was **¥57,133** million.
- **Net Income per Share** grew to **¥211.3**.
- **Cash Dividends per Share** grew to **¥40**.

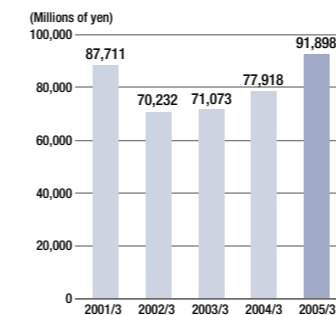
Rapid sales growth in digital marketing services

Digital marketing services—primarily Internet advertising and the strategic planning, design, construction, and operation of websites—performed strongly, registering 65% year-on-year growth on a consolidated basis.

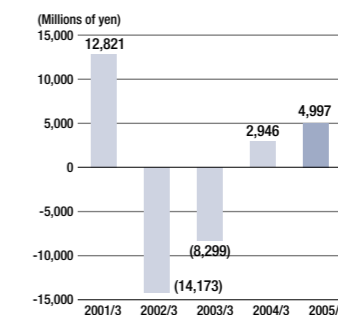
Adoption of dividend policy that emphasizes link to financial performance

In order to further increase the return of profits to shareholders, we have changed our former dividend policy that emphasized stability to one whereby our payout ratio is linked to consolidated financial results.

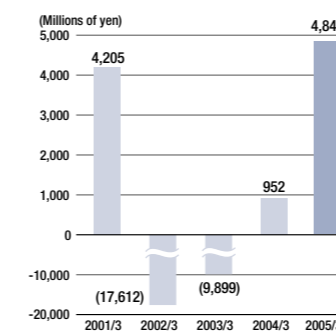
Net sales



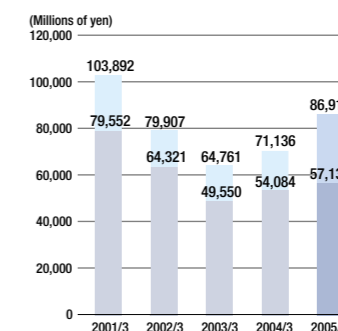
Operating income



Net income



**Total assets
Total shareholders’ equity**





Messages from Top Management



Founder & Group CEO
transcosmos inc.

Koki Okuda

transcosmos has been a pioneer of Japan's information-processing outsourcing business since the company's inception in 1966. We have consistently worked to raise the level of satisfaction among our clients by combining outstanding people with the latest information technology to deliver high-value-added services.

Bringing people and technology together to increase the value we add is the enduring foundation of our business,

and we express this in our logo with the words "People & Technology," which we adopted at the end of 2001. We support operational innovation with outsourcing services staffed by highly experienced personnel who use the latest technology to meet the increasingly diversified needs of our clients.

We adopted the corporate slogan, "The Marketing Chain Management Company," on April 1, 2002, 36 years

after our foundation; this is to mark a new stage in our development, one in which we focus on enhancing the competitiveness of our clients by enabling them to link directly with their customers. This corporate vision permeates every company in our group, informing and enhancing our services.



Chairman & CEO
transcosmos inc.

Koji Funatsu

The spread of broadband, VoIP, and other similar advanced technologies to ordinary consumers is making the links between businesses and their customers more direct and interactive. Such changes are spurring dramatic transformations in corporate marketing.

In recognition of such fundamental changes in the contemporary business environment, we have launched a plan to better fulfill our role as the Marketing Chain Management

Company. We define our business activities under three major domains: 1) Marketing Chain Management Services, which directly connect our clients' businesses with their customers through linking our Digital Marketing Services and our Call Center/Contact Center Services; 2) Support Desk Services, which support our clients with in-house system implementations and provide support desk services; and 3) System Engineering Services, which provide engineering

services for our clients' product development and on-site engineers for support of systems development. We will be working to increase integration across these three domains.



President & COO
transcosmos inc.

Masataka Okuda

The telephone, the Web, email, VoIP, application services, and video are all fusing around a common Internet protocol, giving rise to a new channel of communication with functionality far superior to that of the traditional telephone—and making Internet technology and know-how an integral part of contact center services. For example, the use of the Internet and digital data processing is transforming telemarketing from conventional telephone-based operations to a highly cost effective, more-interactive and content-rich environment.

Contact center infrastructure is also built on Internet technology: Customers can contact an agent directly through a live web page, have an online conversation, get support for products and services, request product information, and even make purchases. Environments like this are already becoming a common reality.

At transcosmos, we continually adopt the latest Internet technology while developing new services for handling and processing information. For instance, J-Stream provides support for live video communication, DoubleClick Japan

delivers advertising and content to finely segmented targets, and NetRatings Japan analyzes web usage with Japan's largest Internet audience ratings panel. Armed with technologies and expertise such as these, transcosmos' Marketing Chain Management Services integrate these technologies with clients' existing Web sites, organically linking customer relationship management and promotions, and optimizing and streamlining marketing work to help clients acquire new customers, expand sales, and enhance their customers' experience and satisfaction.



Q Could you discuss transcosmos's financial results for the year ended 31 March 2005?

A The corporate environment has turned favorable for the field of information services. Our client companies have been advancing their corporate core competencies and—with contracted and temporary employees representing a growing percentage of the workforce—are progressively leaning toward an outsourcing policy.

On the other hand, our client companies' expectations of IT outsourcing are diversifying to include both cost reduction and solutions as to how to strengthen their main businesses. They are demanding higher value-added IT service offerings, and as a result, competition in the market is growing increasingly intense.

Under these conditions, our marketing chain management service business performed well and boosted sales. Our call center/contact center service operations were engaged by the Japan Post to handle orders, requests, and inquiries of its Yu-Pack parcel and redelivery services. Business process outsourcing (BPO) operations received new orders for its latest service, which, prompted by the Act on the Protection of Personal Information, enables source traceability

of personal data. In digital marketing and other related services, sales grew substantially, owing to sales from Web productions as well as a rising demand for animated Internet advertisements that use streaming technology and contextual advertisement listings with content that reflects search engine results. Overall, results in the marketing chain management service segment remained strong, as sales rose 19% year on year to 52.6 billion yen.

In the system engineering service business, orders for design work support, concentrated on the auto sector and related industries, showed a positive turnaround. Sales in the support desk service business also rose, bolstered by demand for administration support desk service such as internal IT systems, business systems, etc.; solutions service, including business support, staff training, and IT asset management; and application management services, incorporating our ERP services.

In the field of corporate venture capital business, both sales and operating profit rose because of divestment activities that exceeded our corporate plan.

Q Could you explain what marketing chain management is all about?

A Marketing chain management service is our own concept. With broadband access spreading to the average consumer, it has become important for companies to establish direct relationships with their customers. We support the crucial process of transforming targeted potential prospects into real customers through optimized communications that deepen customer recognition and understanding of products and services.

One special quality of marketing chain management is the fusion of digital marketing services, combined with transcosmos's 39 years experience offering call centers/contact centers services to meet the needs of our

customers. Our digital marketing services include website assessments/competitive analysis using the leading edge internet technologies, creation of interactive websites based on survey data and customers' opinions, customization of online and digital campaign promotions to target the customer database, and e-mail marketing.

In this way, the transcosmos group offers a consistent "chain" of products ranging from customer support to customer development that is the strength of marketing chain management. Moreover, to meet the demand for new services, we continually strive to enhance the chain by developing and expanding our menu of services.

Q What market trends do you see in your key markets and what are your strategies for dealing with them?

A Computer and Consumer Electronics
As more consumers move to broadband and the home computing environment advances, direct sales on the Web are increasing. In line with the network support that our client companies increasingly demand, we continue to expand the services we offer, with a special focus on digital marketing.

Telecommunication and Internet Service Providers

These service providers are constantly upgrading their offerings, in the feverish competition for subscribers. As services become more complicated and advanced, support needs will expand as well. Through our call center/contact center service, we focus on outbound services, including helping our clients execute a strategy that reduces contract cancellation to a minimum.

Finance/Securities

Deregulation has lifted restrictions on banks to serve as intermediaries in the securities business, and tie-ups between

financial and non-financial institutions are becoming more common. As our clients face an increasingly complex menu of financial products, their need for support in customer management is growing. Our strategy is to help clients meet these needs through our digital marketing service and call center/contact center service offerings.

Government and Public Agencies

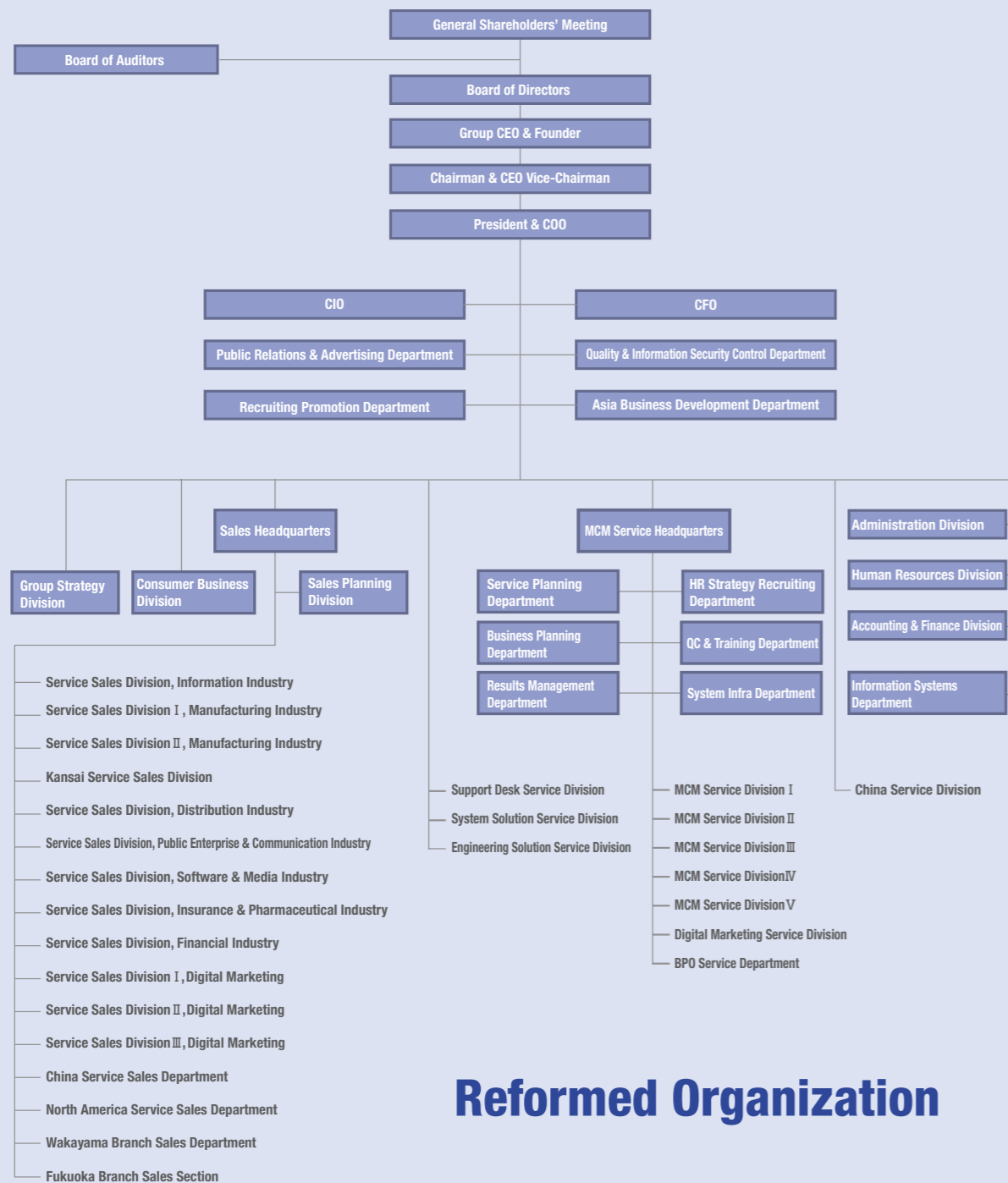
Recently, public agencies have begun to perceive their citizens as customers and are making efforts to raise the level of customer satisfaction. One such effort is a newly developed electronic application system that enables people to make online requests for resident certificates and other official documents. Use of the electronic system is facilitated by transcosmos call centers/contact centers, which offer the public guidance and support regarding the navigation of the system. In addition, we provide governments and public agencies with digital marketing services that focus on Web-based content.

Q Is the mobile sector truly where the market for services is expanding most notably?

A Mobile phones now act as a "lifestyle infrastructure" for individuals. For companies as well, the cellular phone is a tool that provides an indispensable marketing channel.

With the know-how we have cultivated in customer support and digital marketing service, we are using mobile promotions, offering QR code (a two-dimensional bar code), "empty mail" (such as automatic replies), "mobile stick" (for connecting to the Internet), and other mobile phone tools to measure the effectiveness of mobile ads, return-on-investment analysis, automatic building of member databases,

and specially targeted mail communications that are all adopted to the marketing chain management technique and offered as a one-stop service. Specialized, full mobile service for cellular phones—extending from mobile marketing plans and uses to the contents of creative works; infrastructure construction; system development, construction, and operation; and customer support—is being added to the marketing chain management service as a mobile channel and is being incorporated into marketing chain management's multichannel system.



Reformed Organization

Q Building upon the change to the sector-based organization structure in April 2004, in April 2005 other organizational reforms were implemented. What were the aims of these changes?

A The main aim was to help our client companies boost revenue and become more cost efficient. Our move to a sector-based structure in 2004 allowed us to create for client companies a one-stop service. We develop a service model that is specialized for each client and its industry, to provide higher value-added outsourced services such as call center/contact center services, digital marketing services, in-house enterprise support desk services, system development, and design work support. These services can be offered either individually or as a package of services.

In examining the new system that has been put into place in the year since April 2004, the objective of the organizational reforms in April 2005 was to transform the

organization to allow for the highest performance and the greatest risk control, thereby increasing the value of the transcosmos group. In this major reorganization, the unified Service Sales Division, Manufacturing Industry was reorganized into Service Sales Division I, Manufacturing Industry and Service Sales Division II, Manufacturing Industry. In addition, a Service Sales Division III, Digital Marketing was newly established. Finally, in an effort to further clarify the mission of the marketing chain management service sector, its staffing structure was partially reorganized. We believe these changes will help us create additional superior services for our client companies and promote a faster establishment of new business models.

Q transcosmos has combined new business development and investment operations into the corporate venture capital business. Against this backdrop of organizational reform, could you discuss your strategy in this area?

A Previously, the corporate venture capital business had been the primary dealings of our subsidiary operations. This time, the new business development and strategic investment operations, which had previously been dispersed across various departments at transcosmos, have been integrated into the corporate venture capital business. This consolidation will allow us to conduct IT service business more flexibly and efficiently and at the same time ensure their activities reflect companywide policy and technological needs.

One of our goals is to gain a better understanding of the results achieved through investment operations now concentrated in the corporate venture capital business and reflect this understanding in transcosmos's consolidated financial statements in an effort to ensure management transparency and maximize shareholder value.

The corporate venture capital business, with the aim of strengthening the marketing chain management services of the transcosmos group, is involved in investment and new business development with domestic and foreign venture companies possessing new technology and new business models related

mainly to digital marketing and customer support. This business pursues two main types of investment. The first type is majority investment, with the aim of continuously expanding the consolidated earnings of the transcosmos group by including the invested company within the scope of consolidation. The second type is minority investment, with the aim of maintaining a relatively small equity interest, to pursue synergies and collaboration with transcosmos services and then realize profits through the planned sale of transcosmos's equity interest.

In an environment where communication mechanisms like broadband and cell phones are rapidly changing, it is essential to quickly and continually introduce new services that utilize the latest Internet technologies to provide outstanding support to the marketing activities of our client companies through our outsourcing services.

From this perspective, the ability of the corporate venture capital business to quickly find, assess, and commercialize new technology and services is indispensable to our outsourcing services. We believe this is the best method for improving customer satisfaction.

Q Could you describe your risk management philosophy?

A We are exposed to a wide range of risks because of macroeconomic factors, including financial conditions, operating results, the cash flow situation, and fluctuations in the economy, as well as specific factors such as the unique business environment we operate in, the length of contract period with our client companies, the competition we face, our exposure to the corporate venture capital business and M&A, the need to attract and retain excellent personnel, and the incidence of major lawsuits. In addition, our high value-added service offerings, a review of our human resource portfolio concerning the shift from full-time employees to contract and part-time workers, and the enhancement of call centers in regional areas all require appropriate risk management policies.

Under the circumstances, with the Act on the Protection of Personal Information going into effect in April 2005, we have established a Quality and Information Security

Control Department to handle quality control, personal data, and compliance issues. But prior to the enforcement of the act, in February 2003 we had already obtained a "privacy mark" certificate and built a management system for personal information. Furthermore, in March 2005 we obtained BS7799 certification (an international standard for information security management) and achieved compliance with the conformity assessment scheme for Information Security Management Systems (ISMS) (a domestic standard for information security management) for our leading contact center Marketing Chain Management Center Komagome. Currently, our other contact centers are also operating in accordance with these standards.

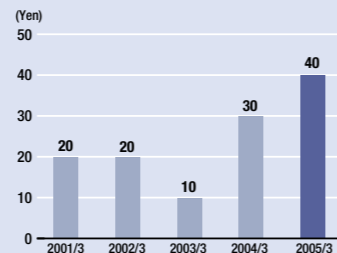


Q Could you describe your philosophy concerning return to shareholders?

A One of our top management priorities is returning profits to shareholders. Our basic policy has been to distribute dividends, based on our performance, in a stable manner that is fair to past, present, and future shareholders. Recently, however, we have modified our dividend policy so that our payout ratio is linked to consolidated financial results. We believe this change from a dividend policy that emphasized stability to one linked to our financial performance will boost profit return for our shareholders and enhance our stock market value. Going forward, we will move to a dividend policy that focuses on a payout ratio linked to consolidated

financial results. As a result of this policy change, we will pay a dividend of 40 yen per share for the year ended March 2005, up 10 yen from the previous year.

Five-Year Change in Cash Dividends per Share



transcosmos at a Glance

Consolidated Business Segments

transcosmos Group

IT Services Businesses

Outsourcing Services

Marketing Chain Management Services

We support the crucial process of transforming targeted potential customers and prospects into new customers through optimized communications that deepen customer recognition and understanding of products and services. In addition, we implement user-friendly system solutions that incorporate leading-edge IT technologies.

▶▶▶ Digital Marketing Services

▶▶▶ Call Center/Contact Center Services

▶▶▶ System Integration Services

DoubleClick

macromill

NetMile

CODE

AD2

WebCrew

Cast.co.jp

listen Japan

shockwave.com

Fujisan.co.jp

Ask Jeeves

Areka!

CyberSource

transcosmos CRM

transcosmos CRM

transcosmos CRM

transcosmos CRM

transcosmos CRM

BPS

transcosmos CRM

transcosmos CRM

transcosmos CRM

transcosmos CRM

transcosmos CRM

transcosmos CRM

MCM Center Komagome Contact Center Service

Support Desk Services

We help maximize efficiency with comprehensive management and administration of internal corporate systems.

▶▶▶ Business System Support Desk Services

▶▶▶ IT Support Desk Services

Accelcareer



Engineering Services and System Solution Services

Building on our base of advanced technologies, we offer support across the entire spectrum of development and design activities. Moreover, we provide on-site support for deployment and administration of back-office systems, including backbone business systems.

▶▶▶ Engineering Services

▶▶▶ System Solution Services

SKYLIGHT

GO

(For engineering management work done in eastern Japan as part of the CAD Machine Design Support Service within the System Engineering Service Headquarters Engineering Solutions Service Division, East)

China Offshore Development Services and Global IT Support Services

Installation support for cutting-edge technology and service.

transcosmos information Creative

transcosmos information system

transcosmos MCM Shanghai

transcosmos america

CIC KOREA



Corporate Venture Capital Business

We at transcosmos are always working to create a new, superior level of service.

transcosmos Investment & Business Development



Marketing Chain Management Services

The spread of broadband to ordinary consumers links them directly with businesses and fundamentally changes marketing. We support the crucial process of transforming targeted potential customers and prospects into new customers through optimized communications that deepen customer recognition and understanding of products and services.

● Marketing Chain Management Services Model



We are increasing the value of our call center and contact center services and maintaining our competitiveness while providing a host of digital marketing services to link businesses with their customers. These include website creation, assessment and analysis of website, email

marketing, internet advertising, data mining, marketing research, video content production and marketing systems integration. We also continually update our service offerings to keep in step with clients' needs for new services.

..... Digital Marketing Services

The scope of Japan's domestic Internet advertising market during 2004 was 181.4 billion yen (according to a Dentsu survey), which shows a 53.3% increase over the previous year. With higher advertising rates than radio, the Internet has become a more important promotion channel than ever before, and cannot be overlooked. As a result, transcocosmos provides services based on a precise understanding of the

market trends, including animated Internet advertisements that use streaming technology, and contextual advertisement listings with content that reflects search engine results. The fiscal 2006 consolidated sales target for the digital marketing business has been set at 15 billion yen, a 52% increase over the previous year, and we are aiming for further growth.

Web marketing Services

transcocosmos offers a full suite of digital marketing services tailored to the needs of client companies, including assessment and competitive analysis of Web sites using the latest internet technology, creation of interactive Web sites

based on survey data and customer opinions, online promotions using customer databases, planning and proposal of digital campaigns and promotions, and email marketing.

● Marketing Fields



Call Center/Contact Center Services

In the Call Center/Contact Center Services, we reduce costs by automating the service processes as much as possible with IP Contact Centers, eContact Center Voice Recognition Introduction and eContact Center Web Self-help. As a result, we can shift agents to respond to more troublesome inquiries and cross-selling based on customer databases, which contributes to an improvement in the quality of customer support activities and an increase in sales for client companies. (Pursuing differentiation based on reliable operations and the value of the continuous, long-term accumulation of know-how with emphasis on careful process management between technology utilization and properly trained human resources.)

Our new call center in Naha, Okinawa, is scheduled for completion next spring. Located in the new downtown area, the call center will be able to accommodate 1,400 operators at one time, employing 3,000 customer service

agents. The fiscal 2006 consolidated sales target for the call center and contact center business has been set at 58 billion yen, a 5% increase over the previous year, and we are aiming for further growth.

New Naha Contact Center



Address
4-2-9 Omoromachi, Naha, Okinawa

Lot size
1,485.89m²

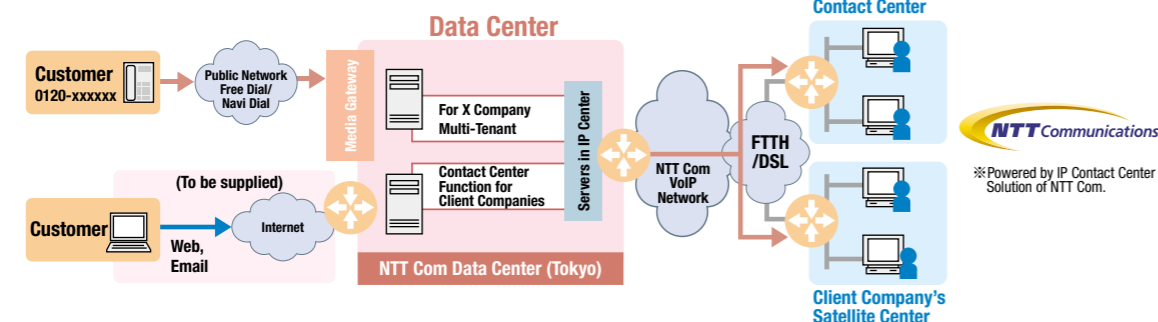
Building details
Height: Nine floors above ground
Structure: Steel reinforced concrete
Floor space: 10,907.51m²
• Offices: 8,529.51m²
• Parking lot: 2,378m²

IP Contact Center Services

transcosmos provides comprehensive services at low cost, from design to construction, post-construction support, education and dispatch of agents necessary for the contact

center business. Combining emails, websites, IP telephones and TV telephones may lead to further enhancement of sales power, higher customer satisfaction and cost reduction.

System Diagram of the IP Contact Center Service



eContact Center Voice Recognition

Introduction Services

Are you familiar with the software called "Nuance?" This is a voice recognition technology widely used in North America for referencing stock prices, and considered as the de facto global standard due to its high recognition ratio and broad multi-lingual applicability. This technology broadly attracts attention for its proven efficiency to bring down costs per call to one-tenth or less. transcosmos

quickly introduced this technology into its call center and contact center services, and succeeded in automating incoming call processing, decreasing the number of missed calls at peak times, and achieving both lower costs and higher customer satisfaction without expanding the scale of the center services.

Powered by
Nuance Technology
NUANCE

eContact Center Web Self-help Services

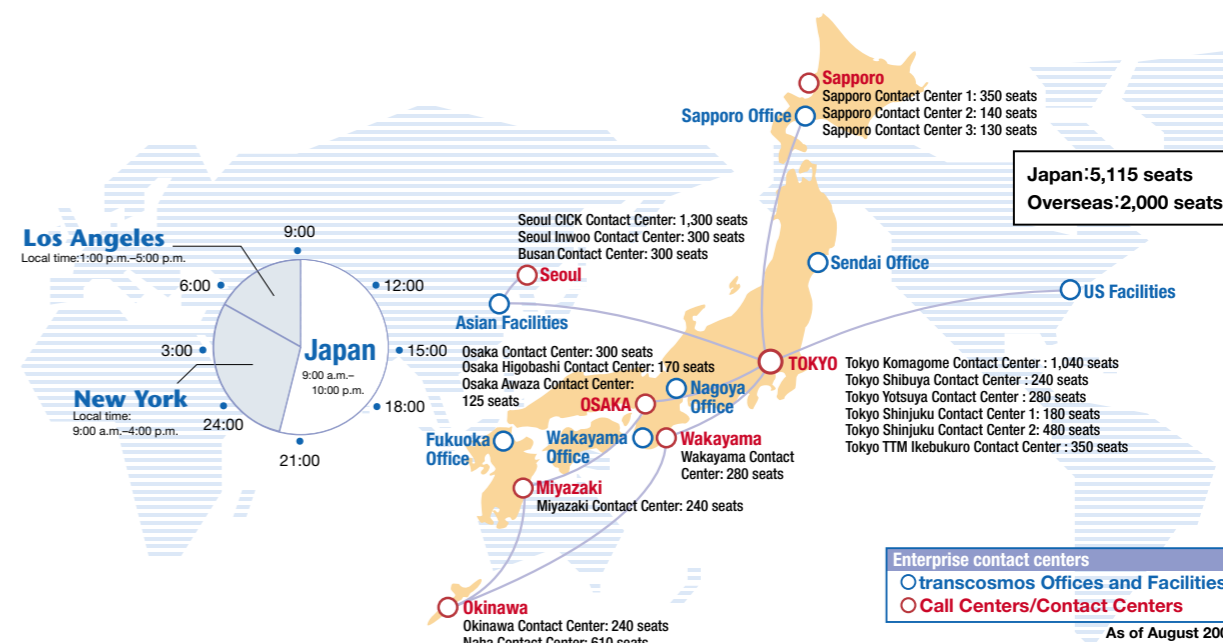
transcosmos has effectively applied the self-support technology "Jeeves" to client companies' websites as a "reception counter" to allow visitors to pose questions in natural language format, like, "What should I be careful of when expanding the memory on my PC?" and speedily access

the answer he/she needs. This technology also feeds back stored questions (live voices of visitors), which can be used for the planning of new products/services, and optimization of the website contents.

Powered by
Ask Jeeves Technology
JEEVES SOLUTIONS

Chart of Deployment of Call Centers/Contact Centers

transcosmos responds flexibly to a wide range of demands for outsourcing and requests concerning the cost and the time block from client companies via call centers/contact centers deployed both at home and abroad.



Other Services

Support Desk Services

transcosmos helps client companies to establish, diffuse, and stabilize "strategy-related systems" to boost sales (by improving sales efficiency and avoiding opportunity losses) and a backbone system to boost profit (by raising business efficiency and cost-cutting) through exemplary results and a

service menu, specialized by industry and business. The main services include comprehensive support desk services, ERP support desk services, server/network support desk services, and other services that meet the needs of our client companies.

Engineering Services

By mainly targeting the automobile industry, we provide a wide range of engineering services to meet all the development and design needs of client companies based on advanced CAD, CAM, CAE, and PDM tools. As a result, transcosmos has enjoyed a strong demand for its engineering

services. In the future, we intend to become a global technology provider by continuing to supply engineering solutions that offer powerful and comprehensive support for our clients' development pipelines.

System Solution Services

At transcosmos, we carefully select and assign the engineers most suitable for providing the client with on-site service and for supporting the development and administration of systems that will enhance the client's corporate information strategies. Focusing on systems development, from off-the-shelf to open-

source systems, we can handle a wide range of business applications in every phase, from defining the requirements to the design, manufacturing, testing, and operation of the systems.

Global IT Support Services

For the many Japanese manufacturers advancing overseas, particularly into China, transcosmos can provide high-quality, low-priced project management that seamlessly integrates initial design, development, and system testing. We offer offshore development services in China to ensure optimal systems for our client companies, Japanese-language data entry services for credit card application forms and supermarket point card registration operations, as well as call center/contact center services for 24-hour operations in

multiple languages. In addition, we offer distribution services for the overseas sale of various hardware and software products created in Japanese; support desk services to provide staff fluent in English, Chinese, Korean, Japanese, and other languages, mainly to Japanese corporate clients; and quality assurance and localization services to maintain quality assurance in all local languages and enable software localization.

Corporate Venture Capital Business

transcosmos opened its San Francisco office in 1989. We watch technology trends in the U.S., a leader of outsourcing services, and make efforts to import excellent technologies such as "Nuance," the world standard voice recognition system, and "DoubleClick," an Internet advertising distribution system. At

present, transcosmos has established an Investment of Business Development Division with 30 specialists to continue pursuing the next-generation high value-added services through the startup of new business areas and management of affiliate company groups.

Network

transcosmos Group

JAPAN

Marketing-chain management

DoubleClick Japan Inc.
J-Stream Inc.
NetRatings Japan Inc.
Macromill, Inc.
Marketswitch Japan KK
CyberSource KK
AD2 Inc.
BPS Inc.

E-business sites

Ask Jeeves Japan Co., Ltd.
WebCrew Inc.
AtomShockwave K.K.
Forecast Communications Inc.
NetMile, Inc.
Listen Japan, Inc.
Fujisan Magazine Service Co., Ltd.
Areakao Inc.
CinemaNow Japan Inc.
CODE Inc.

Call Center/Contact Center

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

IT Training/IT Personnel

Accelcareer Co., Ltd

Consulting/System Integration/System Engineering Services

Skylight Consulting, Inc.
Applied Technology Co., Ltd.

USA

Service Development Company

Transcosmos Investments & Business Development, Inc.

Service Company

transcosmos America Inc.

Strategically Associated Companies

DoubleClick Inc.
NetRatings, Inc.
RealNetworks, Inc.
Nuance Communications, Inc.
Sendmail, Inc.
BeVocal, Inc.
Donnerwood Media, Inc.
Pheedo, Inc.
Audioblog, Inc.
Buzznet, Inc.
Multiply, Inc.
Become, Inc.

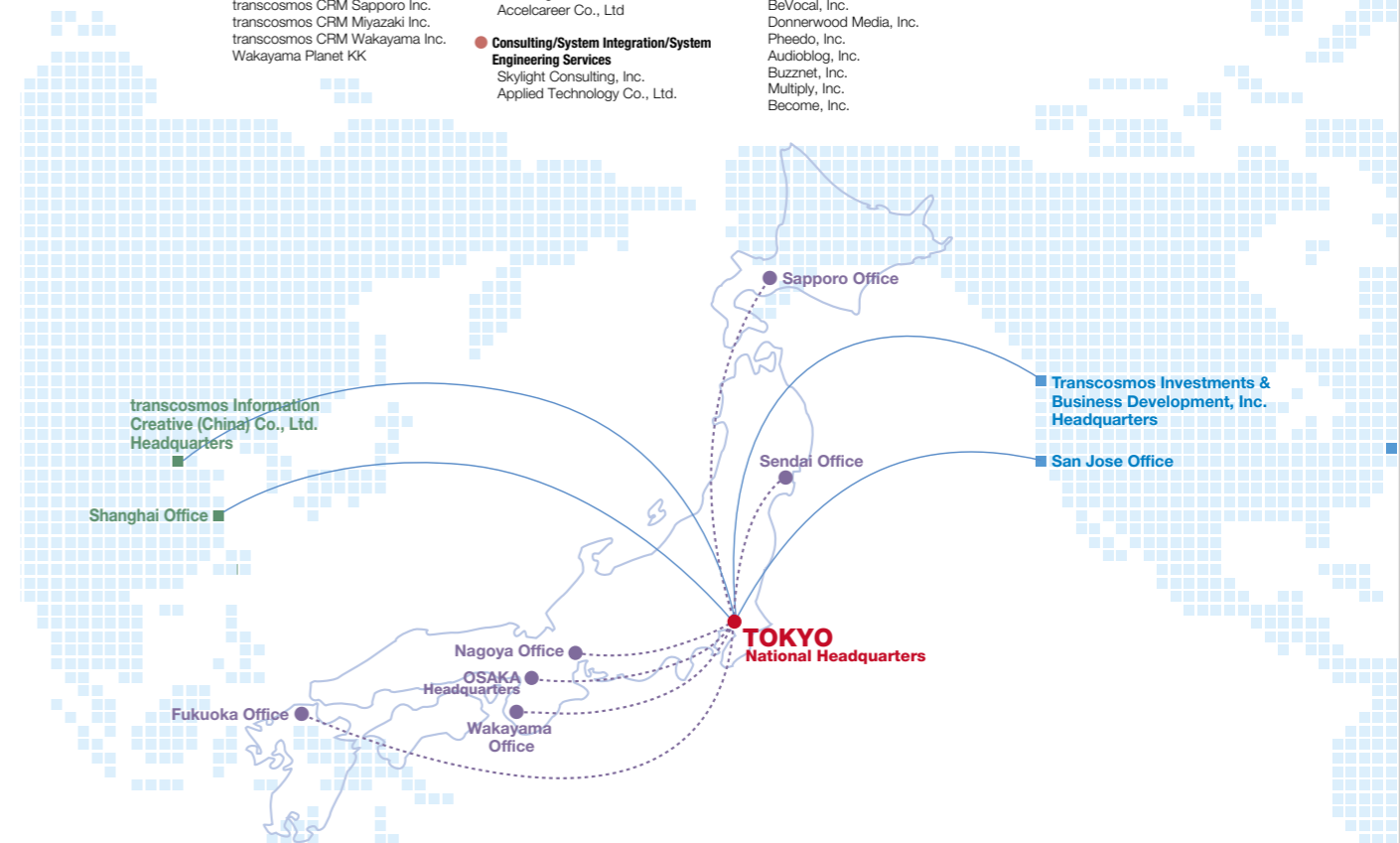
ASIA

China

transcosmos Information Creative (China) Co., Ltd.,
Tianjin Headquarters
transcosmos Information Creative (China) Co., Ltd.,
Shanghai Office
transcosmos Information system (Shanghai) Co., Ltd.
Onexeno Limited

South Korea

transcosmos Engineering Korea Inc.
CIC Korea, Inc.
Inwoo Tech, Inc.



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National Headquarters

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Fukuoka Office

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Tel: +81-92-473-1267 Fax: +81-92-475-1625

Our website features various information about transcosmos, including our corporate profile, services, group companies, news releases, and investor relations. You can also learn more about our group companies by visiting their websites.



<http://www.trans-cosmos.co.jp/>



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



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



<http://www.ad2.co.jp/>



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



<http://www.co-de.co.jp/>

CONSOLIDATED STATEMENTS OF INCOME

| For the years ended 31 March | Millions of yen (except per share data) | | | | | Thousands of U.S. dollars (except per share data) |
|------------------------------|--|----------|----------|----------|----------|---|
| | 2005 | 2004 | 2003 | 2002 | 2001 | 2005 |
| Net sales | ¥ 91,898 | ¥ 77,918 | ¥ 71,073 | ¥ 70,232 | ¥ 87,711 | \$ 855,742 |
| Gross profit | 21,322 | 18,866 | 7,943 | (894) | 26,228 | 198,551 |
| Operating income | 4,997 | 2,946 | (8,299) | (14,173) | 12,821 | 46,527 |
| Net income | 4,848 | 952 | (9,899) | (17,612) | 4,205 | 45,143 |
| Net income per share | 211.3 | 39.3 | (405.7) | (721.9) | 172.6 | 1.97 |

CONSOLIDATED BALANCE SHEETS

| At 31 March | Millions of yen | | | | | Thousands of U.S. dollars |
|-------------------------------|-----------------|----------|----------|----------|----------|------------------------------|
| | 2005 | 2004 | 2003 | 2002 | 2001 | 2005 |
| Total current assets | ¥ 51,773 | ¥ 36,433 | ¥ 37,907 | ¥ 51,421 | ¥ 69,005 | \$ 482,099 |
| Total current liabilities | 13,669 | 11,698 | 10,531 | 10,945 | 19,068 | 127,282 |
| Total non-current liabilities | 12,767 | 2,083 | 1,123 | 3,139 | 3,875 | 118,891 |
| Total shareholders' equity | 57,133 | 54,084 | 49,550 | 64,321 | 79,552 | 532,015 |

NON-CONSOLIDATED STATEMENTS OF INCOME

| For the years ended 31 March | Millions of yen (except per share data) | | | | | Thousands of U.S. dollars (except per share data) |
|--|--|----------|----------|----------|----------|---|
| | 2005 | 2004 | 2003 | 2002 | 2001 | 2005 |
| Net sales | ¥ 79,798 | ¥ 65,360 | ¥ 57,389 | ¥ 54,514 | ¥ 49,626 | \$ 743,071 |
| Gross profit | 16,616 | 14,662 | 11,045 | 10,821 | 10,494 | 154,727 |
| Operating income | 3,975 | 4,268 | 2,514 | 4,036 | 4,016 | 37,011 |
| Net income | 3,126 | 3,360 | (23,281) | 316 | 2,562 | 29,111 |
| Net income per share | 136.2 | 140.6 | (954.3) | 13.0 | 105.2 | 1.27 |
| Cash dividends per share | 40.0 | 30.0 | 10.0 | 20.0 | 20.0 | 0.37 |
| Weighted average number of shares (thousand) | 22,926 | 23,805 | 24,396 | 24,362 | 24,362 | — |

NON-CONSOLIDATED BALANCE SHEETS

| At 31 March | Millions of yen | | | | | Thousands of U.S. dollars |
|-------------------------------|-----------------|----------|----------|----------|----------|------------------------------|
| | 2005 | 2004 | 2003 | 2002 | 2001 | 2005 |
| Total current assets | ¥ 34,967 | ¥ 19,955 | ¥ 16,553 | ¥ 20,968 | ¥ 29,028 | \$ 325,605 |
| Total current liabilities | 11,542 | 9,637 | 7,711 | 7,230 | 11,977 | 107,471 |
| Total non-current liabilities | 12,046 | 2,156 | 1,190 | 3,250 | 3,636 | 112,169 |
| Total shareholders' equity | 60,341 | 57,552 | 51,784 | 75,531 | 76,241 | 561,891 |

Note: U.S. dollar amounts are translated from yen, solely for convenience, at the rate of ¥107.39 = U.S.\$1.