

(Note) This document has been translated from the Japanese original for reference purposes only. In the event of any discrepancy between this translation and the Japanese original, the original shall prevail.

(Stock code: 9744)  
June 1, 2010

To Our Shareholders:

Meitec Corporation  
2-20-1, Kousei Dori, Nishi-ku, Nagoya, Japan  
President and CEO: Kosuke Nishimoto

### **Notice of Convocation of 37th Annual General Meeting of Shareholders**

Meitec Corporation (the "Company") requests your attendance at the 37th Annual General Meeting of Shareholders, which will be held as follows:

If you will not attend the meeting, you may exercise your voting right either by writing or by means of electronic voting system. After reviewing the reference material for the meeting herein, please indicate whether you approve or disapprove on the resolution either by sending enclosed "Card for the Exercise of Voting Rights" and return to the Company via mail, or make your vote through the electronic voting system on internet (<http://www.evotep.jp/>) by 6:00 pm on June 23<sup>rd</sup>, 2010 (Wednesday).

1. **Date and time:** Thursday, June 24, 2010 at 2:00 p.m.
2. **Place:** Meitec Tokyo Office, 7th Floor, Akasaka DS Building  
8-5-26, Akasaka, Minato-ku, Tokyo, Japan
3. **Purpose of the meeting:**

#### **Matters to be reported:**

- 1) Presentation of the Business Results and Consolidated Financial Statements as well as Audit Results from the audit of the Consolidated Financial Statements by the independent accounting auditor and the Board of Corporate Auditors, for the 37th fiscal period (from April 1, 2009, to March 31, 2010)
- 2) Presentation of the Non-consolidated Financial Statements, for the 37th fiscal period (from April 1, 2009, to March 31, 2010)

#### **Matters to be resolved:**

- |               |  |
|---------------|--|
| Agenda Item 1 | Election of one (1) Corporate Auditor                                  |
| Agenda Item 2 | Election of one (1) Alternate Corporate Auditor                        |
| Agenda Item 3 | Revision of Amount of Remuneration of Directors and Corporate Auditors |

#### **4. About Exercising Your Voting Right**

- If approval or disapproval is not indicated on the "Card for the Exercise of Voting Rights" in exercising the voting right via mail, it shall be treated as if approval were voted.
- If you wishes to make diverse exercise your voting right, please notify the Company in writing by 3 days prior to the Annual General Meeting of Shareholders stating your intention of making the diverse exercise and the reasons.
- About exercising your voting right on the internet.
  - 1) Treatment of duplicate exercise by writing and by the internet  
In case that a voting right is exercised both by writing using the "Card for the Exercise of Voting Rights" and on the internet, only the vote registered on the internet will be recognized as valid.

- 2) Treatment of duplicate exercise by the internet  
In case that multiple number of vote is exercised on the interne, last vote registered on the internet will be recognized as valid.
- 3) Instructions for exercising your vote on the internet  
If you wish to exercise your voting right on internet, please do so after reading the following instruction.  
If you are to attend the meeting, neither voting by sending the “Card for the Exercise of Voting Rights” nor voting by internet is not necessary.

### Reference for Exercise of Voting Rights

Matters to be resolved:

#### **Agenda Item 1 Election of one (1) Corporate Auditor**

Because Auditor, Yoshinori Takamine, will resign from his position at the conclusion of this general meeting, we request the election of 1 (one) new corporate auditor. This proposal has the approval of the Board of Corporate Auditors.

The name and particulars of the candidate proposed for the position of corporate auditor are as follows:

Name (Date of birth)	Career Summary and other Current Positions	Number of shares held in the Company
Makoto Fukai (April 19, 1954)	Apr. 1978 Joined Saitama Bank, Ltd. <sup>*1</sup> Oct. 2003 Executive Officer of Resona Holdings Inc. for Planning Division, IR Office and Corporate Communications Division Apr. 2004 Executive Officer of Resona Holdings Inc. for Planning Division May.2005 President of Resona Research Institute Co Ltd. Aug.2006 Executive Officer of Resona Holdings Inc. and General Manager of Internal Audit Division Jun. 2007 Executive Officer of Resona Holdings Inc. for System Division Jun. 2009 Outside Corporate Auditor at Nihon Plast Co., Ltd. <sup>*2</sup> Standing Auditor for Resona Business Service Co., Ltd. <sup>*2</sup>	0

Notes:

1. Saitama Bank, Ltd. is now called Saitama Resona Bank, Ltd.
2. Upon approval by the Annual General Meeting of shareholders, Mr. Makoto Fukai will be a full-time corporate auditor and will resign from auditor appointments he currently have as above with Nihon Plast Co., Ltd. and Resona Business Service Co., Ltd. by the end of June 2010.
3. No special interests exist between the candidate and the Company.
4. Mr. Makoto Fukai is a candidate for outside corporate auditor as well as independent director/auditor as defined by the Article 436, paragraph 2, of the Securities Listing Regulations of the Tokyo Stock Exchange, Inc.
5. Mr. Makoto Fukai has been nominated as a candidate for the outside corporate auditor as the Company believes that, with his experience and knowledge from the management position at the major bank and experience as an auditor of public corporation, he will contribute to reinforcing the Company's management monitoring system as an outside corporate auditor with independency.
6. In the event that Mr. Makoto Fukai were appointed as corporate auditor, he and the Company plan to enter into a liability limitation agreement pursuant to Article 423, Paragraph 1, of the Corporation Law. The maximum amount of liability limitation provided under such an agreement would be the minimum liability limitation amount stipulated in Article 425, Paragraph 1, of the Corporation Law.

## Agenda Item 2 Election of one (1) Alternate Corporate Auditor

The company is seeking approval of election of one alternate corporate auditor which is to prepare against the event of the number of auditors (including the Independent Auditor) falling below legal stipulations.

Shareholders are advised that the effectiveness of appointment of the alternate corporate auditor may be cancelled before the alternate corporate auditor assumes an auditor position by a resolution of the Board of Directors with Board of Corporate Auditors approval.

This proposal has the approval of the Board of Corporate Auditors.

The names and particulars of the candidates proposed for the position of alternate corporate auditor are as follows.

Name (Date of birth)	Career Summary and other Current Positions	Number of shares held in the Company
Minao Shimizu (March 7, 1961)	Mar. 1985 Graduated from the Faculty of Law, University of Tokyo Apr. 1988 Entered the Legal Training and Research Institute of the Supreme Court of Japan (42nd entering class) Apr. 1990 Registered as attorney at law (Tokyo Bar Association), Joined Kawai, Takeuchi, Nishimura and Inoue Law Office July 1996 Appointed partner of Sakura Kyodo Law Offices Oct. 2005 Established Minao Shimizu Law Office	0

### Notes:

1. Kawai, Takeuchi, Nishimura Inoue Law Office is now called Sakura Kyodo Law Office.
2. No special interests exist between the candidates and the Company.
3. Mr. Minao Shimizu is a candidate for alternate outside corporate auditor and satisfies qualification for independent director/auditor as defined by Article 436, Paragraph 2, of the Securities Listing Regulations of Tokyo Stock Exchange, Inc.
4. Mr. Minao Shimizu has been chosen as a candidate based on the following reasons. The candidate has a broad range of experience and knowledge as an attorney. The Company believes the candidate would contribute significantly to reinforcing the Company's management monitoring system as an external corporate auditor.
5. If the appointment of Mr. Minao Shimizu as a corporate auditor is approved, he and the Company plan to enter into a liability limitation agreement pursuant to Article 423, Paragraph 1, of the Corporation Law. The maximum amount of liability limitation provided under such an agreement would be the minimum liability limitation amount stipulated in Article 425, Paragraph 1, of the Corporation Law.

### Agenda Item 3 Change in Directors' and Corporate Auditor's Remuneration

Company is seeking approval of revision to the regulations regarding remuneration amounts to individual directors which was resolved at the 33<sup>rd</sup> annual general shareholders' meeting held on June 22, 2008 for following reason.

This proposed revision is not intended to change the fixed amount of remuneration nor the bonus according to the appropriation of retained earnings from previous fiscal year for the director and auditor nor bonus. It also does not change the determination of the basic approach and rules for determining the total amount, or level and rules of remuneration.

The retirement bonus system for directors and auditor was abolished in the fiscal year ended March 31, 2002.

The number of current directors is six directors, including one outside director, and the number of corporate auditor is three.

#### 1. Reason for the revision

- (1) Since the approval of current remuneration regulation, no outside corporate auditor was appointed as full-time corporate auditor until today. But if the agenda item 1 above is approved, the new outside corporate auditor will assume the position of full-time corporate auditor, making all three auditors to be outside corporate auditors.  
Therefore, the Company desires to ensure that the amount of remuneration of the full-time corporate auditor is commensurate with the amount of efforts required for the execution of such duties and proposes to change the current remuneration schedule for individual corporate auditors based on the corporate auditor/outside corporate auditor categories to the one based on the full-time corporate auditor/part-time corporate auditor categories..
- (2) In order to eliminate the downward rigidity of remuneration of all individual directors and corporate auditors, the Company proposes certain changes necessary for treating the current prescribed amounts as the maximum allowable amount of the remuneration.
- (3) In order to eliminate the linkage between the remuneration of corporate auditors and the performance of the Company to ensure their independence from the management, the Company proposes certain changes necessary for excluding corporate auditors from the scope of the rule prescribing a reduction in remuneration at the individual level based on the amount of consolidated operating income.  
Note also that for the same reason, corporate auditors are not entitled to performance-linked remuneration under the current rules.
- (4) In order to clearly indicate remuneration of outside directors in a manner required by Article 82, Paragraph 3 of the Ordinance for Enforcement of the Corporation Law, the Company proposes necessary changes.

#### 2. Detail of the revision

Specifically, the following revisions, as highlighted with underline, are proposed.

##### Remuneration Amounts to Individual Directors

CEO	Monthly payment	¥3,000,000 <u>or less</u>
COO	Monthly payment	¥2,500,000 <u>or less</u>
Director	Monthly payment	¥2,000,000 <u>or less</u>
Outside Director	Monthly payment	¥500,000 <u>or less</u>
<u>Full-time Corporate Auditor</u>	Monthly payment	¥2,000,000 <u>or less</u>
<u>Part-time Corporate Auditor</u>	Monthly payment	¥500,000 <u>or less</u>

Notes:

1. In cases where the CEO and COO positions are held by the same person, the compensation for CEO applies.
2. The amount of remuneration of individual directors will be determined by the resolution of the Board of Directors and the amount of remuneration of individual corporate auditors will be determined by consultation among corporate auditors.
3. If the amount of consolidated operating income is less than ¥10 billion and consolidated operating margin (as calculated by consolidated operating income divided by consolidated sales) is less than 10% for a given consolidated fiscal year, the amount of remuneration of individual directors (i.e., excluding corporate auditors) as determined pursuant to "2." above shall be uniformly reduced by 10% for the following consolidated fiscal year.
4. Other benefits and allowances, such as commuting and relocation benefits, are paid separately.
5. In cases where a director also serves as an employee, the employee salary is included. (An employee bonus is not paid to directors who also serve as employees.)

#### Business Performance-Linked Directors' Remuneration

The total amount of performance-linked directors' bonuses shall be calculated as 2% of consolidated net income (excluding performance-linked directors' bonuses) after rounding down to the nearest million yen and the amount shall be allocated to individual directors based on their respective performance (provided, however, that the maximum amount that can be allocated to an outside director shall be limited to ¥6 million).

## Reference1

The amount of remuneration of directors and corporate auditors as per the resolution passed at the 33<sup>rd</sup> Annual General Meeting of Shareholders held on June 22, 2006 was as follows:

### Remuneration Amounts to Individual Directors

CEO	Monthly payment	¥3,000,000
COO	Monthly payment	¥2,500,000
Director	Monthly payment	¥2,000,000
Outside Director	Monthly payment	¥500,000
Corporate Auditor	Monthly payment	¥2,000,000
Outside Corporate Auditor	Monthly payment	¥500,000

### Notes:

1. In cases where the CEO and COO positions are held by the same person, the compensation for CEO applies.
2. In cases where consolidated operating income falls below ¥10,000 million, and at the same time the consolidated operating income margin falls below 10% in any given fiscal year, the executive compensation amounts listed above will be uniformly reduced by 10% in the following fiscal year.
3. Other benefits and allowances, such as commuting and relocation benefits, are paid separately.
4. In cases where a director also serves as an employee, the employee salary is included. (An employee bonus is not paid to directors who also serve as employees.)

### Business Performance-Linked Directors' Remuneration

An amount equal to 2% of consolidated net income (not including business performance-linked directors' remuneration), with fractions of ¥1 million and less discarded, shall be the total amount of business performance-linked directors' remuneration. This amount shall be distributed among directors based on the individual business performance of each director.

## Reference 2

In view of the current performance trend and other circumstances, monthly remuneration of all directors and corporate auditors has been reduced as described below. With respect to monthly remuneration of corporate auditors, each corporate auditor proposed the following reduction on a voluntary basis:

President (CEO and COO)

Reduced by 30% from April 2009, and by 50% from January 2010.

Director and Corporate Auditor

Reduced by 10% from April 2009, and by 30% from January 2010.

Outside Director and Outside Corporate Auditor

Reduced by 30% from January 2010.

END



( Attached Documents for the Notice of Convocation  
of the 37th Annual General Meeting of Shareholders )

## **Report for 37<sup>th</sup> fiscal year**

(From April 1, 2009 to March 31, 2010)

**Meitec Corporation**

(Security Code:9744)

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## To our shareholders



代表取締役社長 西本 甲介

For the fiscal year ended March 31, 2010, we suffered large decrease in revenue and profit. Major reason was that the effect from the worldwide recession had major impact toward our main business, the temporary engineers staffing business, from the beginning of the fiscal year. As major Japanese manufacturing companies who are our main customers had taken major cut back on their R&D investment budgets as a counter measure for the recession. As a result, Meitec engineer's utilization ratio had dropped to 67.1% in August 2009. But as the world economy had started to improve from the rising nations, R&D activities had started to com back among the major Japanese manufacturing industries, and business environment for us had begun to improve as well. In addition, we have continued our effort in training our un-assigned engineers, and the job readiness of our engineer had contributed to gain new contracts. As a result, our utilization ratio had improved to 78.6% and the end of fiscal year. By this trend of improvement in our performances, our operating loss had decrease to 362 million yen for the 4<sup>th</sup> quarter where it was 1,661 million yen for the 2<sup>nd</sup> quarter. And as a result of receiving the government subsidies for the employment adjustments, our consolidated ordinary income for the fiscal year was 276 million yen, and 822 million yen for the non-consolidated. We have also made great effort to reduce our SG&A expenses by applying various cost cutting management measures through out the fiscal year. As a result, excluding the training cost for our engineers, we have saved 2,715 million yen compared to the previous year. We will continue our management effort to improve our efficiency and productivities.

In our group businesses, we have frozen the expansion strategies and concentration to our main business from the end of previous fiscal year. And to counter the development in amendment of the Worker Dispatching Law, we have integrated our general worker dispatching business among our group companies to Meitec Cast in April 2010. Since the business of Meitec and Meitec Fielders are categorized as the Specified Worker Dispatching (which employ its worker as full time employee), there will be almost no effect from the amendment of the law.

Although our performance is in gradual improvement trend, world economy and market conditions are unpredictable. Company will seek to realize further management improvement. And with understanding and cooperation of our workers union, by apply the payroll cut to all employee, we are determined to achieve consolidated operating profit for the fiscal year ending March 31, 2011 as the most important management target.

I ask our shareholders for continued understanding and support to Meitec.

May 13, 2010

Kosuke Nishimoto  
President, CEO and COO

## **BUSINESS REPORT**

(from April 1, 2009 to March 31, 2010)

### **1. Business Outline**

#### **(1) Results of Operations**

The Japanese economy during the subject fiscal year had started out its year under un-experienced harsh conditions due to the rapid deterioration of the world economy started from the latter half of the 2008.

On the other hand, during the subject fiscal year, the Diffusion Index (DI) has started to show some recovery, and productions at the major manufacturing industries who are our main customer have shown continuous recovery in their productions. The decrease of equipments investments seems to hitting its bottom, and anxiety on the further deterioration of the ratio of active opening to the job applicants seems to have been wiped. But the equipments investment or ratio of active opening to the job applicants are still at low level and recovery is gradual. Therefore, management environments for the company continue to be severe during the subject fiscal year.

Consolidated net sales for the subject fiscal year (April 1, 2009 to March 31, 2010) had decreased by 26,122 million yen compared to the previous fiscal year to 53, 776 million yen. This was mainly due to the continuation of lower utilization ratio for the temporary engineer staffing business throughout the fiscal year due to the large cut in the R&D budget at the major manufacturing industries who are our main customers.

The cost of sales had declined by 10,412 million yen compared to the previous fiscal year to 46,765 mainly due to the decrease in payroll for the temporary engineer staffing business.

Consolidated selling, general and administrative expenses had decreased by 1,500 million yen to 11,939 million yen as a result of the various cost cutting measures and effort despite the increase in training the education expenses for the un-assigned engineers.

As a result, consolidated operating income had decreased by 14,209 million yen compared to the previous fiscal year to loss of 4,928 million yen. From the latter half of the subject fiscal year, as the economical condition had started to show gradual recovery, the investment in R&D had started to come back at the major manufacturing industries, and our business environment had started to improved gradually. Also as we have continued training and educational programs to our un-assigned engineers, it had contributed to obtain more new orders. By these efforts, we were able to improve the utilization ratio of temporary engineer staffing for Meitec Corporation ("Meitec") alone to 76.9% by the end of 4<sup>th</sup> quarter (78.6% for the month of March) from 68.7% at the end of 2<sup>nd</sup> quarter (67.1% for the month of August). With the improvement in utilization ratio, the consolidated sales had improved to 27,572 million yen for the second half of the fiscal year from 26,203 million yen of sales for the 1<sup>st</sup> half of the fiscal year. And the consolidated operating loss had decreased to 1,679 million yen for the 2<sup>nd</sup> half of the fiscal year from 3,248 million yen of loss for the 1<sup>st</sup> half of the fiscal year.

Since the Meitec Group employs larger number of engineers on regular employee basis, we have applied for the government subsidies for the employment adjustment, and we posted 4,643 million yen of the grant as non-operating income. As a result, the consolidated ordinary loss was 276 million yen, and the consolidated net loss was 904 million yen for the subject fiscal year. As the improvement in the operating income, due to the improvement in the utilization ratio for the temporary engineer staffing business, the consolidated ordinary income had improved to profit of 574 million yen for the 2<sup>nd</sup> half of the fiscal year from loss of 850 million yen for the 1<sup>st</sup> half of the fiscal year. Also the consolidated net profit for 2<sup>nd</sup> half of the fiscal year had turned to 309 million of profit from loss of 1,214 million yen for the 1<sup>st</sup> half of the fiscal year. We believe that, although it is gradual, we were able to show the improvement in our performances.

Results by business segment were as follows:

#### Temporary Staffing Business

The Temporary Staffing Business which accounts for more than 90% of consolidated net sales, particularly the core temporary engineers staffing business, experienced a lower utilization ratio from the start of the fiscal year due to significant cut back on the R&D budget at the major manufacturing industries who are our main customers. Mainly due to this lower utilization ratio, the sales in the temporary staffing business for the subject fiscal year had decreased by 23,821 million yen compared to the previous fiscal year to 50,532 million yen. For the operating income of the temporary staffing business, even though we have applied number of management rationalization measures to reduce expenses such as cut back on the payroll cost and restraint of recruiting cost, we were not totally able to off set the effect of reduction in sales, and we had to post 4,457 million yen of operating loss. As the company was able to promote obtaining new orders as we capture the improvement in the market condition from the latter half of the fiscal year, the utilization ratio of temporary engineer staffing for Meitec alone improved to 76.9% at the end of 4<sup>th</sup> quarter (78.6% for the month of March) from 68.7% at the end of 2<sup>nd</sup> quarter (67.1% for the month of August).

#### Engineering Solutions Business

The engineering solutions business consists of technology support for printed-circuit boards and analytical technology. Revenue of the engineering solutions business had decreased by 482 million yen compared to the previous fiscal year to 2,753 million yen, and operating profit had decreased by 28 million yen compared to the previous fiscal year to 93 million yen. Meitec CAE Corporation who conducts analytical engineering business was able to achieve increase in both revenue and profit. It was not only because of integrating the Three D Tec Inc. business, but it was result of expanding their services, strengthening their sales and good business condition in the aircraft related business. On the other hand, Apollo Giken Group who specializes in the printed-circuit board business had suffered deterioration of market condition from the beginning of the fiscal year, and posted decrease in the revenue and operating loss. But as the market had started to improve in latter half of the fiscal year, they were able to post operating profit for the 2<sup>nd</sup> half of the fiscal year.

#### Global Business

The Global Business consists of job placement business and vocational training business in China, and the Bridge Engineer business which is supplying Chinese engineer within Japan. The sales of the Global Business in the subject fiscal year had decreased by 634 million yen to 646 million yen. And the operating income was 590 million yen of loss due to the lower utilization ratio of the Chinese engineers. Number of engineers in the Meitec Global Solutions Inc. decrease compared to the previous fiscal year and was 112 engineers at the end of March 31, 2010. This was mainly due to sifting its business to job placement business from temporary staffing business in Japan.

As we are under way to reduce Chinese business, we have suspended the vocational training business at MEITEC Guangzhou TechnoCenter Co., Ltd. on March 31, 2009, MEITEC Hangzhou TechnoCenter Co.,Ltd. on April 30, 2009, and MEITEC Dalian TechnoCenter Co., Ltd. on December 31, 2009.

#### Career Support Business

The Career Support Business includes the job placement business specialized in engineers, and the information portal site business. Consolidated net sales for the Career Support Business in the subject fiscal year decreased by 1,457 million yen to 517 million yen mainly due to the effect from transferring the outplacement business of BMOA Corporation (On May 1, 2009, Drake Beam Morin-Japan, Inc was split by incorporation-type split and changed its name to BMOA Corporation.) to Tempstaff Co., Ltd. on May 1, 2009. But the operating income has increased by 130 million yen to a profit of 13 million yen. Meitec Next Corporation, which provides a placement business specifically for engineers, posted operating loss under severe market environment. But the amount of loss had significantly been decreased compared to that of previous fiscal year.

Note: Net sales figures for business segments include intra-segment sales and transfers.

Performance by geographical segment has been omitted, as Japan accounts for more than 90% of sales in all segments, and the economic importance of geographical segments was eliminated.

## **(2) Capital Investment for the Meitec Group**

Capital expenditures during the subject fiscal year amounted to ¥312 million, consisting mainly of investment in facilities to strengthen and maintain the internal information network.

Note: The figure for capital expenditures includes software listed under intangible fixed assets, but does not include leased assets.

## **(3) Financing for the Meitec Group**

Meitec meets its capital requirements with its own funds. The Company did not procure capital through the issuance of new shares or bonds during the 36th fiscal period.

## **(4) Issues Facing the Meitec Group**

The Meitec Group's main business is the temporary engineers staffing business. The Group's first priority is to expand, enhance and deepen this business, and it acts accordingly.

The main concern regarding the outlook for the performance of the engineers staffing business is the number of highly skilled engineers. Consequently, the Meitec Group recognizes that its most important issues are to continually strengthen hiring and personnel increases, sales activities to receive orders, and career support services, while maintaining the proper balance in accordance with changes in the business environment.

### Sales Activities to Receive Orders

The engineers staffing business that is the core business of the Meitec Group also includes businesses to support the career advancement of engineers. Securing a volume of orders sufficient to ensure growth is of course vital, but also of central importance is expanding business fields to provide engineers with more alternatives for their career advancement. To strengthen the sales capabilities needed to acquire such orders, Meitec is bolstering coordination of the Group sales structure, and building an information infrastructure in an effort to allow for the sharing of platforms and sales channels throughout the Group. Meitec will continue to pursue innovation in its sales style, and work to perpetually strengthen its sales capabilities.

### Hiring and Personnel Increase

The Meitec Group is the largest engineer staffing organization in Japan, and securing a large number of exceptional human resources in the engineering field is an extremely important issue. The Meitec Group, in view of the labor shortages stemming from the declining birthrate and aging of society, and to provide for broad business development without regard to age, nationality or other factors, will continually work toward effective and efficient recruitment and personnel increases beyond just new graduates and mid-career hires, and will pursue timely and accurate response to changes in the business environment by consolidating the collective efforts of the Meitec Group.

### Career Support

To maintain and enhance the quality of a collection of highly skilled engineers, it is essential to provide precise and finely tuned support for the career advancement of each and every engineer. To provide such timely and appropriate career support, Meitec is working to increase the number of engineers supplying support, and is building a structure suited to expanding the accompanying engineer needs (that is, the quality required by customers). Specifically, Meitec is taking steps to open and integrate the Group's training system, and to expand the education and training curriculum. We are also making a sustained effort to improve communication between engineers and the Company. Specifically, we are improving the communication tools that allow each engineer to confirm his or her market value, as well as share career advancement information such as the potential for the next client assignment, and the status of various training systems. Meitec will continue to work to accurately assess the changing and expanding engineer needs, and consistently strengthen its efficient career support structure.

## (5) Changes in Assets and Income

### Changes in Assets and Income of the Meitec Group

(unit : million yen)

Item	Fiscal year ended March 31, 2007	Fiscal year ended March 31, 2008	Fiscal year ended March 31, 2009	Fiscal year ended March 31, 2010 (current consolidated fiscal year)
Net sales	82,229	82,102	79,898	53,776
Ordinary income (loss)	11,487	11,334	9,260	(276)
Net income (loss)	295	4,958	4,303	(904)
Net income (loss) per share	8.19	142.64	127.30	(27.29)
Total assets	57,479	57,784	54,230	47,625
Total equity	38,683	37,598	36,169	33,443
Total equity per share	1,092.80	1,086.70	1,081.85	1,002.57

Note: The net income per stock is calculated based on the average stocks total during the fiscal year.

### Changes in Assets and Income of Meitec

(unit : million yen)

Item	Fiscal year ended March 31, 2007	Fiscal year ended March 31, 2008	Fiscal year ended March 31, 2009	Fiscal year ended March 31, 2010 (current fiscal year)
Net sales	61,795	62,956	60,457	41,319
Ordinary income (loss)	15,500	10,768	9,294	822
Net income (loss)	(83)	4,938	2,998	53
Net income (loss) per share	(2.33)	142.05	88.69	1.61
Total assets	58,912	59,003	54,412	50,021
Total equity	38,620	37,446	34,774	33,096
Total equity per share	1,097.60	1,090.87	1,048.97	998.36

Note: The net income per stock is calculated based on the average stocks total during the fiscal year.

## (6) Important Status of Parent Company and Subsidiaries

Status with Important Parent Company

Not Applicable.

Status of Important Subsidiaries

Company Name	Location	Capital	Voting rights held by Meitec (%)	Main business
Meitec Fielders Inc.	Tokyo	¥120,000,000	100.0	Temporary Engineer Staffing Business
Meitec Cast Inc.	Tokyo	¥100,000,000	100.0	Temporary Staffing Business
Meitec Experts Corporation	Tokyo	¥8,000,000	100.0	Temporary Engineer Staffing Business
Apollo Giken Co.,Ltd.	Kanagawa	¥311,000,000	53.8	Engineering Solutions Business
Shanghai Apomac Science & Technology	Shanghai	US\$525,000	53.8	Engineering Solutions Business
Meitec CAE Corporation	Aichi	¥100,000,000	100.0	Engineering Solutions Business
Meitec Global Solutions Inc.	Tokyo	¥28,000,000	100.0	Global Business
Meitec Shanghai Co.,Ltd.	China	US\$1,200,000	100.0	Global Business
Meitec Dalin TechnoCenter Co.,Ltd.	China	10,500,000yuan	100.0	Global Business
Meitec Guangzhou TechnoCenter Co.,Ltd.	China	10,842,000yuan	100.0	Global Business
Meitec Xian TechnoCenter Co.,Ltd.	China	US\$1,200,000	100.0	Global Business
Meitec Chengdu TechnoCenter Co.,Ltd.	China	US\$1,200,000	100.0	Global Business
Meitec Shanghai Human Resosuces Co.,Ltd.	China	2,059,000yuan	70.0	Global Business
Meitec Next Corporation	Tokyo	¥30,000,000	100.0	Career Support Business
All engineer.jp Corporation	Tokyo	¥70,000,000	100.0	Career Support Business
BMOA Corporation	Tokyo	¥8,000,000	100.0	Career Support Business

Note : Voting right ratio held by Meitec include that of indirect ownership interest.

Situation of important combination of enterprises etc.

Meitec's subsidiary BMOA CORPORATION (corporate name changed from Drake Beam Morin-Japan, Inc. on May 1, 2009) conducted an incorporation-type company split on May 1, 2009. The majority of the business managed by BMOA was transferred to a newly established company, Meitec's second-generation subsidiary (currently Drake Beam Morin-Japan, Inc.), and on the same day BMOA's outplacement business was transferred to Tempstaff Co., Ltd. through the assignment of the shares in the second-generation subsidiary.

Details are as follows.

a . The incorporation-type company split

In the transfer of the outplacement business managed by Meitec's consolidated subsidiary BMOA, an appropriate amount of previously accumulated cash and deposits were excluded from the transaction. To facilitate this, on May 1, 2009, the subject subsidiary executed an incorporation-type company split, and transferred the majority of its business to the newly established company, Meitec's second-generation subsidiary.

b . The change of name

Since the newly established company (Meitec's second-generation subsidiary) will inherit the license from the U.S. firm Drake Beam Morin, the split company (Meitec's subsidiary) will no longer be able to continue to use the corporate name Drake Beam Morin-Japan, Inc. Accordingly, on May 1, 2009, the subject split company changed its corporate name to BMOA CORPORATION, and the corporate name Drake Beam Morin-Japan, Inc. was assigned to the subject second-generation subsidiary.

c . The transfer of stock

As part of the revision of the Group's business strategy, Meitec decided to transfer on May 1, 2009, all shares in the newly established company (Meitec's second-generation subsidiary), and the outplacement business of its subsidiary BMOA CORPORATION to Tempstaff Co., Ltd.

**(7) Primary business of the group (as of March 31, 2010)**

Temporary Staffing Business  
Engineering Solutions Business  
Global Business  
Career Support Business

## (8) Primary Office of the Group (as of March 31, 2010)

Meitec

Registered Corporate Headquarters	2-20-1 Kosei-tori Nishi-ku Nagoya
Corporate Headquarters	8-5-26 Akasaka DS Building Akasaka, Minato-ku, Tokyo
Special Function EC (ITC, LSIDC)	Tokyo, Nagoya
EC	Sendai, Utsunomiya, Takasaki, Kumagaya, Omiya, Mito, Tsukuba, Chiba, Tokyo, Tachikawa, Yokohama, Atsugi, Shonan, Mishima, Shizuoka, Hamamatsu, Koushinetsu, Okazaki, Toyota, Nagoya, Nagoya-Minami, Mie, Gifu, Kanazawa, Shiga, Kyoto, Osaka, Osaka-Higashi, Kobe, Hiroshima, Fukuoka
Techno-Center	Atsugi, Nagoya, Nisshin, Kobe
EOC	Sendai, Utsunomiya, Omiya, Tsukuba, Chiba, Tokyo, Tachikawa, Yokohama, Atsugi, Koushinetsu, Shizuoka, Nagoya, Kyoto, Osaka, Kobe, Fukuoka

- Note: 1. EC is an abbreviation for "Engineering Center."  
2. EC for special engineering field are name as below  
ITC = Information Technology Center  
LSIDC = LSI Design Center is LSIDC  
3. EOC is an abbreviation for "Engineering Outsourcing Center."

Subsidiaries and Affiliates

Locations of the subsidiaries are listed in above, "(6) Important Status of Parent Company and Subsidiaries, Status of Important Subsidiaries".

## (9) Employees

Number of employees of corporate groups

Business segment	Number of employees	Compared to the end of the previous fiscal year
Temporary Staffing Business	7,888	+101
Engineering Solutions Business	284	(5)
Global Business	170	(257)
Career Support Business	36	(58)

Number of employees of Meitec

Business segment	Number of employees	Compared with the end of the previous fiscal year
Temporary Staffing Business	6,480	+40

## (10) Principal lenders and the amount of loans

Not applicable.

## (11) Other Significant Matters Relating to the Status of the Corporate Group

Meitec delisted its shares from the Nagoya Stock Exchange (NSE) on December 7, 2009. This action was taken because the trading volume for Meitec's shares on the NSE is extremely small, and the impact on shareholders and investors as a result of the delisting was determined to be minimal.



## 2. Status of Shares

Total Number of shares authorized to be issued :	142,854,400 shares
Total Number of issued shares :	35,100,000 shares
	(Including treasury stock of 1,949,655 shares)
Number of shareholders :	7,059 persons
	(Decreased by 392 persons from the end of the previous fiscal year)
Major shareholders (top ten)	

Name of shareholder	Number of shares held by the shareholder (thousand shares)	Ratio of shares held (%)
State Street Bank and Trust Company	6,158	18.57
State Street Bank and Trust Company 505223	3,336	10.06
Nippon Life Insurance Company	1,980	5.97
Japan Trustee Services Bank, Ltd. (trust account)	1,650	4.97
The Master Trust Bank of Japan, Ltd. (trust account)	1,241	3.74
Meiji Yasuda Life Insurance Company	1,115	3.36
Meitec Employee Stock Ownership Plan	788	2.37
The Aichi Bank, Ltd.	661	1.99
Japan Trustee Services Bank, Ltd. (trust account 9)	539	1.62
The Dai-ichi Life Insurance Company, Limited	460	1.38

Notes : 1. The Company hold 1,949,655 shares as treasury stock. But since there is no voting right to the treasury stock, it is excluded from above list and the ratio of share held is calculated excluding the treasury stock.

2. The Dai-ichi Mutual Life Insurance Company reorganized on April 1, 2010, and became The Dai-ichi Life Insurance Company, Limited.

## 3. About Stock Purchase/Subscription Warrant

None

#### 4. Matters concerning Directors and Corporate Auditors

##### (1) Names and other details of Directors and Corporate Auditors (as of March 31, 2010)

Title	Name	Position and important positions concurrently held at other companies
Representative Director and President	Kosuke Nishimoto	CEO, Meitec Group CEO and COO of Meitec Corporation Executive officer for the business execution Director of Meitec Cast Inc. Director of Meitec Shanghai Director of Meitec Dalian TechnoCenter Co.,Ltd. Director of Meitec Guangzhou TechnoCenter Co.,Ltd. Director of Meitec Xian TechnoCenter Co.,Ltd. Director of Meitec Chengdu TechnoCenter Co.,Ltd. Director of Meitec Shanghai Human Resosuces Co.,Ltd Representative director of the Nippon Engineering Outsourcing Association
Director	Kanji Fukuda	Executive officer for Global Business Representative Director and President of Meitec Global Solutions Inc. CEO of Meitec Shanghai CEO of Meitec Dalian TechnoCenter Co.,Ltd. CEO of Meitec Guangzhou TechnoCenter Co.,Ltd. CEO of Meitec Xian TechnoCenter Co.,Ltd. CEO of Meitec Chengdu TechnoCenter Co.,Ltd. CEO of Meitec Shanghai Human Resosuces Co.,Ltd Director of Apollo Giken Co.,Ltd
Director	Hideyo Kokubun	MEITEC executive officers Executive officer for the Sales Promotion Center, and Executive officer for the Group Career Support Center Director of the Sales Promotion Center Director of Meitec Fielders Inc. Director of Meitec CAE Corporation Director of Meitec Experts Corporation Director of Meitec Next Corporation
Director	Hiroshi Yoneda	Executive officer for Career Support Business Representative Director and President of Meitec Fielders Inc. Representative Director and President of Meitec Next Corporation Representative Director and President of BMOA Corporation Director of Meitec Experts Corporation Representative Director and President of All engineer.jp CORPORATION
Director	Kiyomasa Nakajima	MEITEC executive officers Executive officer for the Office of the President ,the Corporate Communication Department, the Personnel Department, the Administrative Department, the Techno-Center, the IT Service Center, the Group Recruit Center, the Office of Auditor, and the Office of CSR Director of All engineer.jp CORPORATION

Title	Name	Position and important positions concurrently held at other companies
Director	Masato Uemura	MEITEC executive officers Executive officer for the Corporate Planning Department and the Financial & Accounting Center Director of the Corporate Planning Department Director of Meitec Guangzhou TechnoCenter Co.,Ltd. Director of Meitec Xian TechnoCenter Co.,Ltd.
Director	Kiyoshi Mamizu	
Corporate Auditor	Yoshinori Takamine	(Full-Time)
Corporate Auditor	Masatoshi Saito	Tax Accountant (Head of Masatoshi Saito Certified Tax Accountant Office)
Corporate Auditor	Hiroshi Watanabe	Certified Public Accountant (Head of Hiroshi Watanabe Public Accountant Office)

- Note: 1. Kiyoshi Mamizu is an outside director.  
2. Masatoshi Saito and Hiroshi Watanabe are outside corporate auditors.  
3. There is no significant relationship between Meitec and the companies in which Auditor Masatoshi Saito holds concurrent posts.  
4. There is no significant relationship between Meitec and the companies in which Auditor Hiroshi Watanabe holds concurrent posts.  
5. Mr. Kiyoshi Mamizu, Mr. Masatoshi Saito, Mr. Hiroshi Watanabe are the independent director and auditor who does not have any possibility of causing the conflict of interest with general shareholders which the Tokyo Stock Exchange, Inc. require listed company to appoint.  
6. Mr. Yoshinori Takamine was in charge of accounting of the Company for 5 year, and possesses sufficient knowledge on financing and accounting.  
7. Mr. Masatoshi Saito hold accountant license, and possess sufficient knowledge on financing and accounting.  
8. Mr. Hiroshi Watanabe hold certified accountant license, and possess sufficient knowledge on financing and accounting.  
9. Changes in director and auditor during the subject fiscal year were as following;  
New Appointment  
Mr. Masato Uemura was appointed as new director following the approval at the 36<sup>th</sup> Annual General Meeting of Shareholders held of June 23, 2009.  
Resignation  
Mr. Atsuhiko Umeda resigned from director at the end of the 36<sup>th</sup> Annual General Meeting of Shareholders held of June 23, 2009.  
Mr. Kanji Fukuda resigned from director as of March 31, 2010.  
10. The Company has introduced the executive officer system from April 1, 2003. Executive office of the Company is as following.

Type of Officer	Name
Representative Director and President CEO and COO	Kosuke Nishimoto
Director and Executive Officer	Hideyo Kokubun, Kiyomasa Nakajima, Masato Uemura
Executive Officer	Hidenori Nagasaka, Akiyoshi Ogasawara, Koichi Nakagawa, Jun Samukawa

## (2) Remuneration for the Directors and Auditors

	Number of persons	Amount of remuneration (million yen)
Directors ( Of which, outside directors )	8 ( 2 )	126 ( 7 )
Corporate Auditors ( Of which, outside corporate auditors )	3 ( 2 )	31 ( 11 )
Total	11	158

- Note: 1. No performance-linked executive compensation was paid during the subject fiscal year.  
2. Remuneration to directors includes ¥27 million of employee salaries for the three directors who are also appointed as employee at the same time.  
3. Remuneration to a director who had resigned at the end of the 36<sup>th</sup> Annual General Meeting of Shareholders held of June 23, 2009 is included.

## (3) Matters Concerning the Determination of Remuneration to Directors and Auditors, and Methods of Calculation

### Method for Determining the Remuneration Policy

The Company's policies on executive remuneration are determined by the Board of Directors. Remuneration to individual directors was approved at the 33rd Annual General Meeting of Shareholders held on June 22, 2006.

### Overview of the Remuneration Policy

- a. The Company's policy on executive remuneration is as follows.
- The process of determining executive remuneration will be clarified and disclosed in order to enhance management transparency, and strengthen corporate governance.
  - The independence of auditors will be enhanced in order to strengthen corporate governance.
  - The proportion of performance-linked executive compensation will be increased in order to clarify management responsibility, and to enhance the incentive to executives to increase corporate value.
- b. Executive remuneration approved at the 33rd Annual General Meeting of Shareholders held on June 22, 2006, is as follows.
- Remuneration Amounts to Individual Directors

CEO	Monthly payment	¥3,000,000
COO	Monthly payment	¥2,500,000
Director	Monthly payment	¥2,000,000
Outside Director	Monthly payment	¥500,000
Corporate Auditor	Monthly payment	¥2,000,000
Outside Corporate Auditor	Monthly payment	¥500,000
- Note: 1. In cases where the CEO and COO positions are held by the same person, the compensation for CEO applies.  
2. In cases where consolidated operating income falls below ¥10,000 million, and at the same time the consolidated operating income margin falls below 10% in any given fiscal year, the executive compensation amounts listed above will be uniformly reduced by 10% in the following fiscal year.  
3. Other benefits and allowances, such as commuting and relocation benefits, are paid separately.  
4. In cases where a director also serves as an employee, the employee salary is included. (An employee bonus is not paid to directors who also serve as employees.)
- Business Performance-Linked Directors' Compensation

An amount equal to 2% of consolidated net income (not including business performance-linked directors' remuneration), with fractions of ¥1 million and less discarded, shall be the total amount of business performance-linked directors' compensation. This amount shall be distributed among directors based on the individual business performance of each director.

- c. The retirement bonus system for directors and auditors was abolished in the fiscal year ended March 31, 2002.
- d. Compensation to directors from subsidiaries in which a director holds a concurrent post is waived in principle.
- e. Auditors are not given performance-linked compensation in order to preserve auditor independence.
- f. The amount of compensation to individual directors has been disclosed since the 30th Annual General Meeting of Shareholders held on June 24, 2003.

**(4) Matters concerning Outside Directors**

Relationship between the Company and Significant Companies Where Outside Directors Hold Concurrent Posts

The status and other information on significant concurrent posts are listed in “4. Matters Concerning Company Directors; (1) Names and Other Information on Directors and Auditors.”

Status of Main Activities during the Subject Fiscal Year

Name	Attendance (total attended/total held)	Major Activities
Kiyoshi Mamizu (Outside Director)	Directors' meetings 17/17	Attended all the board of directors meetings. And provided proper advises as needed based on his knowledge and experiences.
Masatoshi Saito (Outside Corporate Auditor)	Directors' meetings 17/17 Corporate Auditors' meetings 13/13	Attended all the board of directors meetings and board of auditors. And provided proper advises as needed based on his knowledge and experiences, especially in the field of financing and accounting.
Hiroshi Watanabe (Outside Corporate Auditor)	Directors' meetings 17/17 Corporate Auditors' meetings 13/13	Attended all the board of directors meetings and board of auditors. And provided proper advises as needed based on his knowledge and experiences, especially in the field of financing and accounting.

Description of Limited Liability Agreement

The Company enters into a liability limitation agreement with its outside director and outside auditor pursuant to Article 423, Paragraph 1, of the Corporation Law. The maximum amount of liability limitation provided under such an agreement would be the minimum liability limitation amount stipulated in Article 425, Paragraph 1, of the Corporation Law.

## 5. Status of the Accounting Auditor

### (1) Name of Accounting Auditor

Deloitte Touche Tohmatsu LLC

Deloitte Touche Tohmatsu changed its accounting auditor classification to become Deloitte Touche Tohmatsu LLC on July 1, 2009.

### (2) Compensation to Accounting Auditor for current fiscal year

Description	Amount of compensation (thousand yen)
Total compensation and amounts paid by Meitec	48,000
Total amount of cash and other property profits to be paid by Meitec and its subsidiaries to the independent accountant	50,700

Note: In the audit agreement between Meitec and the independent accountant, the amounts of compensation for conducting auditing services in accordance with the Corporation Law and auditing in accordance with the Financial Instruments and Exchange Law are not separated, and the above amounts contain compensation and other remuneration for auditing services under the Financial Instruments and Exchange Law.

### (3) Description of Non-auditing Job

The Company is paying a compensation to accounting auditor for the service provided on the "advises and guidance on the internal control regarding the financial statement" which is outside of the scope of the activities defined in the Article 2, paragraph 2, of the Certified Public Accountants Act.

### (4) Policy regarding decisions on the dismissal or non-reappointment of the Accounting Auditor

If the Accounting Auditor is deemed to fall under any of the items prescribed in Article 340, Paragraph 1 of the Companies Act, Meitec will be dismissed. If the Accounting Auditor determine any competency against various laws, it is policy that he will not renew the appointment of the accounting auditor, and select appropriate auditing firm to be proposed to the share holders meeting.

## **6. Corporate Structure and Policies**

With regard to the “Systems to ensure sound business operations” specified in the Corporation Law and the Corporation Law Enforcement Regulations, and in line with the “Policy on business enterprises working to prevent harm caused by criminal groups” the Meitec Group is striving to strengthen its internal control systems. To achieve this goal, the Board of Directors passed a resolution to revise its “Basic Policy regarding the Development and Maintenance of Internal Control Systems.”

This basic policy is as follows.

### **Basic Policy regarding the Development and Maintenance of Systems to Ensure Sound Business Operations (Internal Control Systems)**

#### **(1) Framework to ensure compliance by directors and employees with laws, regulations and the Company’s articles of incorporation in the course of the execution of their duties**

(Corporation Law, Article 362, Paragraph 4-6, and Enforcement Regulations of the Corporation Law, Article 100, Paragraph 1-4; Policy on business enterprises working to prevent harm caused by criminal groups)

In its interaction with the rest of society, the Company shall comply with all laws and regulations and its articles of incorporation. The Company shall maintain high ethical standards and management that is sound and highly transparent. To enhance its corporate value, the Company shall build effective governance and monitoring systems that are appropriate to the particular characteristics of the business and size of the Meitec Group.

The Company shall formulate a management philosophy, code of conduct, behavior charter and other related documents. The Company shall undertake effective efforts to thoroughly inform directors and employees on compliance issues. Directors and employees shall carry out their duties in compliance with all laws and regulations, the Company’s articles of incorporation and internal Company rules in a fair and reasonable manner.

Through the establishment of an internal helpline-based on a system that provides full protection to whistleblowers-and programs to inform employees about this helpline, the Company shall endeavor to quickly detect and take appropriate action against any malfeasance that may occur.

In response to any criminal entities or groups that threaten the order or safety of civil society, the entire Meitec Group, from the CEO down, shall strive resolutely to prevent harm to society from such antisocial entities, thereby retaining the full trust of all stakeholders.

#### **(2) Framework for storing and managing information relating to the directors' execution of duties**

(Enforcement Regulations of the Corporation Law, Article 100, Paragraph 1-1)

In accordance with the stipulations of all laws and regulations, the Company's articles of incorporation and internal rules, information regarding the execution of duties by directors shall be recorded, stored and managed in an appropriate and timely manner. From time to time, internal rules shall be proactively reviewed and revised as necessary.

#### **(3) Risk management systems**

(Enforcement Regulations of the Corporation Law, Article 100, Paragraph 1-2)

The Company, its subsidiaries and affiliates (the Meitec Group) shall work to comprehensively and systematically gather information on, and analyze, risks faced by the Group. Risk trends shall be monitored appropriately, and timely measures shall be taken in response to risks, commensurate with the severity of the risk. The Company shall continually strive to maintain and enhance the soundness of its management.

**(4) Framework to ensure the efficient execution of duties by directors and employees**

(Enforcement Regulations of the Corporation Law, Article 100, Paragraph 1-3)

The directors shall appropriately divide up their duties and supervisory responsibilities, and shall delegate authority in accordance with internal rules to speed up decision making. In addition, the directors shall formulate a business plan stipulating clear targets and goals, and undertake appropriate management of operations and progress based on this plan. Targets and goals shall be revised as necessary. This framework aims to ensure that the directors' duties are carried out efficiently.

**(5) Framework for employees to be assigned to assist corporate auditors carry out their duties and to ensure that these employees retain their independence from the directors**

(Enforcement Regulations of the Corporation Law, Article 100, Paragraphs 3-1 and 3-2)

A system shall be established to enable a rapid response to requests from corporate auditors for the assignment of employees to assist them in carrying out their duties. This system shall include specific procedures for submitting and responding to such requests.

As for such matters as performance appraisals and job assignments for employees assigned exclusively to assist the corporate auditors, the wishes of the corporate auditors shall take precedence on matters pertaining to the independence of such employees, including with regard to directives and orders from directors.

**(6) Framework for reporting by directors and employees to the corporate auditors and framework to ensure other auditing activities by the corporate auditors are carried out effectively**

(Enforcement Regulations of the Corporation Law, Article 100, Paragraphs 3-3 and 3-4)

The corporate auditors shall be given the authority to attend meetings of the Board of Directors and all other internal meetings. Furthermore, the corporate auditors shall have access to all important information relating to decision making and the execution of business operations. Based on these principles, the Company shall build a management system that is effectively audited. In particular, auditing shall ensure that the execution of duties complies with laws and regulations, and that the development and operation of internal control systems is adequate.

The Company's representative director and its departments responsible for internal auditing shall regularly and as necessary exchange opinions with the corporate auditors. The Company shall develop a system whereby the internal audit departments, corporate auditors and independent accounting auditor are able to maintain effective communication channels and linkages.

The Company shall endeavor to continually enhance the effectiveness of audit functions carried out by the corporate auditors. This shall include cooperation with requests from the corporate auditors to directors and employees regarding inspections and hearings.

**(7) Framework to ensure sound business operations within the Company and the Meitec Group**

(Enforcement Regulations of the Corporation Law, Article 100, Paragraph 1-5)

The Company shall respect the right of each Group company to develop its business operations in an autonomous manner. In order for the Meitec Group as a whole to maintain sound business operations, each Group company shall strictly comply with the basic policies stipulated in items 1-6 above.



## **7. Basic Policy Regarding Distribution of Surpluses**

The Company's basic policy regarding distribution of earnings to shareholders is to make a performance-based distribution based on business results. The distribution of earnings is carried out through both dividends and retirement of treasury stock.

Dividends are paid twice a year, as an interim dividend and year-end dividend. When there is no plan for investment in the next half year (Note 1) that requires a large amount of capital, the payout ratio has been set at 50% or more of consolidated net income. The minimum level of dividends has been set at a dividend on equity ratio (DOE) of 5% or more.

The acquisition of treasury stock is linked to the Group's cash management as a basic policy. Working capital is set at the level of two months' consolidated net sales, and, when there is no plan for investment in the next fiscal year that requires a large amount of capital, the amount allocated for the acquisition of treasury stock in the next fiscal year is set at the portion of the year-end consolidated cash position in excess of working capital. When there is no plan for investment in the next half year (Note 1) that requires a large amount of capital, 50% of the fiscal year's amount allocated for the acquisition of treasury stock shall be executed in the interim fiscal period (Note 2).

A maximum of 2,000,000 shares of treasury stock may be held by the Company on an ongoing basis after its acquisition. This policy aims to ensure that the Company can flexibly implement its financial strategy while responding to risks accompanying the execution of future growth strategies, as it works to achieve the targets specified in the management plan. The treasury stock held on an ongoing basis shall be used for such purposes as (1) the execution of proactive investments, including mergers and acquisitions (M&A), which contribute to achieving the targets specified in the management plan; and (2) maintaining stable financial strength as growth leads to an expansion in the size of the business and an increase in risk.

Of the treasury stock acquired and held, the stock in excess of 2,000,000 shares shall be retired each half year (Note 1).

Note 1: "Half year" refers to two quarters, or six months, and may refer to the first and second quarters (first half or interim fiscal period) or the third and fourth quarters (second half).

Note 2: "Interim fiscal period" (first half) refers to the six month total of the first and second quarters.

Note: Figures for monetary amount and number of shares within this report is rounded off to displayed decimal

## Consolidated Balance Sheets

(as of March 31, 2010)

(Unit : Thousand of yen)

### ASSETS

#### **CURRENT ASSETS** **28,444,368**

Cash and cash equivalents	14,732,005
Trade notes and accounts receivable	9,582,444
Work in process	153,363
Deferred tax assets	1,537,314
Other	2,442,836
Allowance for doubtful accounts	(3,595)

#### **FIXED ASSETS** **19,180,861**

##### **Property and equipment** **12,069,249**

Buildings and structures	8,100,740
Furniture and fixtures	362,409
Land	3,584,867
Other	21,232

##### **Intangible fixed assets** **2,704,131**

Software	2,591,349
Other	112,782

##### **Investments and other assets** **4,407,480**

Investment securities	467,801
Deferred tax assets	3,120,590
Other	1,110,364
Allowance for doubtful accounts	(291,276)

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#### **TOTAL ASSETS** **47,625,229**

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## Consolidated Balance Sheets

(as of March 31, 2010)

(Unit : Thousand of yen)

### LIABILITIES

<b>CURRENT LIABILITIES</b>	<b><u>6,392,708</u></b>
Bill payable and Accounts payable	123,667
Accrued expenses	4,864,630
Income taxes payable	146,958
Consumption taxes payable	58,832
Other	1,198,620
<b>LONG-TERM LIABILITIES</b>	<b><u>7,789,263</u></b>
Deferred tax liabilities	518
Deferred tax liabilities for land revaluation	42,103
Liability for retirement benefits	7,739,553
Other	7,088
<b>TOTAL LIABILITIES</b>	<b><u>14,181,971</u></b>

### EQUITY

<b>STOCKHOLDER'S EQUITY</b>	<b><u>34,101,573</u></b>
Common stock	16,825,881
Capital surplus	14,451,416
Retained earnings	8,715,540
Treasury stock	(5,891,264)
<b>VALUATION AND TRANSLATION ADJUSTMENTS</b>	<b><u>(865,862)</u></b>
Unrealized gain on available-for-sale securities	20,893
Land revaluation difference	(883,049)
Foreign currency translation adjustments	(3,706)
<b>MINORITY INTERESTS</b>	<b><u>207,546</u></b>
<b>TOTAL EQUITY</b>	<b><u>33,443,257</u></b>
<b>TOTAL LIABILITIES AND EQUITY</b>	<b><u>47,625,229</u></b>

Note : Amounts are stated by omitting fractions less than 1 thousand yen.

## **Consolidated Statement of Income**

(Years Ended March 31, 2010)

(Unit : Thousand of yen)

<b>NET SALES</b>		<b>53,776,025</b>
<b>COST OF SALES</b>		<b>46,765,175</b>
<b>Gross profit</b>		<b>7,010,849</b>
<b>SELLING, GENERAL AND ADMINISTRATIVE EXPENSES</b>		<b>11,939,211</b>
<b>Operating income (loss)</b>		<b>(4,928,362)</b>
<b>OTHER INCOME</b>		
Interest and dividend income	18,259	
Lease income	11,667	
Subsidies for employment adjustment	4,643,792	
Miscellaneous income	55,470	4,729,191
<b>OTHER EXPENSES</b>		
Interest expense	3	
Commitment fee	20,999	
Loss on investments in partnership	27,681	
Foreign exchange loss	13,636	
Miscellaneous losses	14,738	77,059
<b>Ordinary income (loss)</b>		<b>(276,230)</b>
<b>EXTRAORDINARY INCOME</b>		
Profit from the sale of the investment securities	13,058	
Return to the allowance for bad debts, Loan loss reserves	18,752	
Other	679	32,490
<b>EXTRAORDINARY LOSSES</b>		
Loss on sale of fixed assets	9,149	
Loss on sale and disposal of fixed assets	39,229	
Impairment loss	70,740	
Other	11,411	130,529
<b>Income before income taxes and minority (loss)</b>		<b>(374,270)</b>
Corporate tax, Corporate inhabitant tax and Enterprise tax	197,929	
Corporate tax adjustments	336,607	534,536
Minority interests in net income (loss)		(3,832)
<b>NET INCOME (LOSS)</b>		<b>(904,974)</b>

Note : Amounts are stated by omitting fractions less than 1 thousand yen.

## Consolidated Statements of Change in Equity

(Years Ended March 31, 2010)

(Unit : Thousand of yen)

	Shareholders' equity				
	Common stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance, March 31,2009	16,825,881	14,451,738	11,360,915	(5,891,268)	36,747,267
Change for the fiscal year					
Dividends of surplus	-	-	(1,740,401)	-	(1,740,401)
Net income (loss)	-	-	(904,974)	-	(904,974)
Purchase of treasury stock	-	-	-	(619)	(619)
Disposal of treasury stock	-	(321)	-	623	301
Change for items other than shareholders' equity (net amount)	-	-	-	-	-
Total change for the fiscal year	-	(321)	(2,645,375)	3	(2,645,693)
Balance, March 31,2010	16,825,881	14,451,416	8,715,540	(5,891,264)	34,101,573

(Unit : Thousand of yen)

	Valuation and translation adjustments				Minority interests	Total equity
	Unrealized gain on available-for-sale securities	Land revaluation difference	Foreign currency translation adjustments	Total valuation and translation adjustments		
Balance, March 31,2009	11,443	(883,049)	(11,644)	(883,250)	305,379	36,169,396
Change for the fiscal year						
Dividends of surplus	-	-	-	-	-	(1,740,401)
Net income (loss)	-	-	-	-	-	(904,974)
Purchase of treasury stock	-	-	-	-	-	(619)
Disposal of treasury stock	-	-	-	-	-	301
Change for items other than shareholders' equity (net amount)	9,449	-	7,938	17,387	(97,833)	(80,445)
Total change for the fiscal year	9,449	-	7,938	17,387	(97,833)	(2,726,138)
Balance, March 31,2010	20,893	(883,049)	(3,706)	(865,862)	207,546	33,443,257

Note : Amounts are stated by omitting fractions less than 1 thousand yen.

## Non-Consolidated Balance Sheets

(as of March 31, 2010)

(Unit : Thousand of yen)

### ASSETS

<b>CURRENT ASSETS</b>	<b><u>26,098,810</u></b>
Cash and cash equivalents	13,881,749
Accounts receivable	7,664,339
Work in process	47,812
Short-term loans for subsidiaries	700,000
Prepaid expenses	354,096
Deferred tax assets	1,520,159
Other	1,932,297
Allowance for doubtful accounts	(1,642)
<b>FIXED ASSETS</b>	<b><u>23,922,640</u></b>
<b>Property and equipment</b>	<b><u>12,021,959</u></b>
Buildings	7,996,836
Structures	91,374
Machinery and equipment	10,864
Furniture and fixtures	335,538
Land	3,582,544
Other	4,801
<b>Intangible fixed assets</b>	<b><u>2,483,102</u></b>
Software	2,405,650
Software in process	15,215
Telephone subscription right	62,236
<b>Investments and other assets</b>	<b><u>9,417,578</u></b>
Investment securities	465,723
Investment in subsidiaries	4,858,151
Advances to subsidiaries	89,429
Long-term loans for subsidiaries	187,000
Long-term prepaid expenses	7,249
Deferred tax assets	3,114,775
Leasehold deposits	692,648
Other	17,435
Allowance for doubtful accounts	(14,835)
<b>TOTAL ASSETS</b>	<b><u>50,021,451</u></b>

## Non-Consolidated Balance Sheets

(as of March 31, 2010)

(Unit : Thousand of yen)

### LIABILITIES

<b>CURRENT LIABILITIES</b>	<b><u>9,172,148</u></b>
Accrued amount payable	827,220
Accrued expenses	3,837,240
Income taxes payable	67,470
Consumption taxes payable	39,553
Deposits from subsidiaries	4,098,204
Deposits	239,244
Other	63,214
<b>LONG-TERM LIABILITIES</b>	<b><u>7,753,004</u></b>
Deferred tax liabilities for land revaluation	42,103
Liability for retirement benefits	7,706,535
Other	4,365
<b>TOTAL LIABILITIES</b>	<b><u>16,925,152</u></b>

### EQUITY

<b>STOCKHOLDER'S EQUITY</b>	<b><u>33,956,576</u></b>
<b>Common stock</b>	<b><u>16,825,881</u></b>
<b>Capital surplus</b>	<b><u>14,451,416</u></b>
Capital reserve	4,210,000
Other capital surplus	10,241,416
<b>Retained earnings</b>	<b><u>8,570,542</u></b>
Other retained earnings	8,570,542
Retained earnings brought forward	8,570,542
<b>Treasury stock</b>	<b><u>(5,891,264)</u></b>
<b>VALUATION AND TRANSLATION ADJUSTMENTS</b>	<b><u>(860,277)</u></b>
Unrealized gain on available-for-sale securities	22,771
Land revaluation difference	(883,049)

<b>TOTAL EQUITY</b>	<b><u>33,096,298</u></b>
<b>TOTAL LIABILITIES AND EQUITY</b>	<b><u>50,021,451</u></b>

Note : Amounts are stated by omitting fractions less than 1 thousand yen.

## Non-Consolidated Statement of Income

(Years Ended March 31, 2010)

(Unit : Thousand of yen)

<b>NET SALES</b>		<b>41,319,419</b>
<b>COST OF SALES</b>		<b>36,074,161</b>
<b>Gross profit</b>		<b>5,245,257</b>
<b>SELLING, GENERAL AND ADMINISTRATIVE EXPENSES</b>		<b>8,210,244</b>
<b>Operating income (loss)</b>		<b>(2,964,987)</b>
<b>OTHER INCOME</b>		
Interest and dividend income	321,172	
Lease income	28,986	
Subsidies for employment adjustment	3,466,899	
Miscellaneous income	23,900	3,840,959
<b>OTHER EXPENSES</b>		
Interest expense	3,421	
Commitment fee	20,999	
Loss on investments in partnership	27,681	
Miscellaneous losses	1,764	53,867
<b>Ordinary income (loss)</b>		<b>822,104</b>
<b>EXTRAORDINARY INCOME</b>		
Profit from the sale of the investment securities	1,112	
Return to the allowance for bad debts, Loan loss reserves	1,145	2,258
<b>EXTRAORDINARY LOSSES</b>		
Loss on sale of fixed assets	9,147	
Loss on sale and disposal of fixed assets	25,062	
Impairment loss	31,735	
Loss on revaluation of investment in subsidiaries	375,176	
Loss on revaluation of investments in affiliates	151,768	
Other	33,856	626,747
<b>Income before income taxes</b>		<b>197,615</b>
Corporate tax, Corporate inhabitant tax and Enterprise tax	92,996	
Corporate tax adjustments	51,192	144,188
<b>NET INCOME (LOSS)</b>		<b>53,427</b>

Note : Amounts are stated by omitting fractions less than 1 thousand yen.



## Non-Consolidated Statements of Change in Equity

(Years Ended March 31, 2010)

(Unit : Thousand of yen)

	Shareholders' equity			
	Common stock	Capital surplus		
		Capital reserve	Other capital surplus	Total capital surplus
Balance, March 31, 2009	16,825,881	4,210,000	10,241,738	14,451,738
Change for the fiscal year				
Dividends of surplus	-	-	-	-
Net income (loss)	-	-	-	-
Purchase of treasury stock	-	-	-	-
Disposal of treasury stock	-	-	(321)	(321)
Change for items other than shareholders' equity (net amount)	-	-	-	-
Total change for the fiscal year	-	-	(321)	(321)
Balance, March 31, 2010	16,825,881	4,210,000	10,241,416	14,451,416

(Unit : Thousand of yen)

	Shareholders' equity		
	Retained earnings	Treasury stock	Total shareholders' equity
	Other retained earnings		
	Retained earnings brought forward		
Balance, March 31, 2009	10,257,517	(5,891,268)	35,643,868
Change for the fiscal year			
Dividends of surplus	(1,740,401)	-	(1,740,401)
Net income (loss)	53,427	-	53,427
Purchase of treasury stock	-	(619)	(619)
Disposal of treasury stock	-	623	301
Change for items other than shareholders' equity (net amount)	-	-	-
Total change for the fiscal year	(1,686,974)	3	(1,687,292)
Balance, March 31, 2010	8,570,542	(5,891,264)	33,956,576

## Non-Consolidated Statements of Change in Equity

(Years Ended March 31, 2010)

(Unit : Thousand of yen)

	Valuation and translation adjustments			Total equity
	Unrealized gain on available-for-sale securities	Land revaluation difference	Total valuation and translation adjustments	
Balance, March 31,2009	13,310	(883,049)	(869,738)	34,774,129
Change for the fiscal year				
Dividends of surplus	-	-	-	(1,740,401)
Net income (loss)	-	-	-	53,427
Purchase of treasury stock	-	-	-	(619)
Disposal of treasury stock	-	-	-	301
Change for items other than shareholders' equity (net amount)	9,461	-	9,461	9,461
Total change for the fiscal year	9,461	-	9,461	(1,677,830)
Balance, March 31,2010	22,771	(883,049)	(860,277)	33,096,298

Note : Amounts are stated by omitting fractions less than 1 thousand yen.

[English Translation of the Corporate Auditors' Report Originally issued in the Japanese language.]

To the Board of Directors of  
Meitec Corporation

## Corporate Auditors' Report (Certified Copy)

We the Board of Corporate of Auditors of the Company, based on the audit reports prepared by each Corporate Auditor regarding the performance of duties by the Directors during the 37<sup>th</sup> business year from April 1, 2009, to March 31, 2010, prepared this audit report upon deliberation and hereby report, by unanimous show of hands, as follows:

### 1. Audit Methods by Corporate Auditors and the Board of Corporate Auditors and its Details

The Board of Corporate Auditors established audit policy and assigned business, etc., and received reports from each Corporate Auditor regarding the state of implementation of his or her audits and results thereof, as well as received reports from the Directors, etc., and Independent Auditors regarding performance of their duties, and sought explanations whenever necessity arose.

Each Corporate Auditor complied with the auditing standards of Corporate Auditors established by the Board of Corporate Auditors, in accordance with the audit policy of this term, planning of audits, etc., communicated with the Directors, the internal audit department, other employees, etc., and made efforts to collect information and improve audit environment, and attended meeting of the Board of Directors and other important meetings, received reports from the Directors, employees, etc., regarding the state of performance of their duties, sought explanations whenever necessity arose, inspected important decision documents, etc., and made investigation into the state of activities and property at the head office and other main business offices of the Company. In addition, we monitored and verified the system for ensuring that the performance of duties by the Directors conforms to the laws, regulations and Articles of Incorporation, as well as the resolutions of the Board of Directors regarding the improvement of the system stipulated in Article 100, paragraph 1 and paragraph 3 of the Regulations for Enforcement of the Corporation Law and the status of the system (internal controls system) based on the resolutions, which are necessary for ensuring an appropriateness of a joint stock corporation. With respect to subsidiaries, we communicated and exchanged information with directors, corporate auditors, etc., of the subsidiaries, and received reports on business from them, as need. Based on the above methods, we examined the business report and supporting schedules for the relevant business year.

Furthermore, we monitored and verified whether the Independent Auditors maintained their independence and implemented appropriate audits, and we received reports from Independent Auditors regarding the state of performance of their duties and sought explanations whenever necessity arose. In addition, we received notice from the Independent Auditors the "The systems for ensuring the proper performance of duties" (matters set forth in each Item of Article 131 of the Regulations of Corporate Financial Calculation) is organized in accordance with the "Standers for Quality Control of Audit" (Business Accounting Council, October 28, 2005) and other relevant standards, and sought explanations whenever necessity arose. Based on the above methods, we examined the financial statements (non-consolidated balance sheet, non-consolidated statement of income, non-consolidated statement of change in equity, and foot notes) and supporting schedules related to the relevant business term, and the consolidated financial statements (consolidated balance sheet, consolidated statement of income, consolidated statement of change in equity, and foot notes).

## 2. Results of Audit

### (1) Results of Audit of Business Report and Other Relevant Documents

In our opinion, the business report and supporting schedules fairly presents the state of the Company in accordance with the laws, regulations and Articles of Incorporation.

In connection with the performance by the Directors of their duties, no dishonest act or material fact of violation of laws, regulations, or the Articles of Incorporation exists.

In our opinion, the contents of the resolution of the Board of Directors regarding the internal controls system are fair and reasonable. In addition, we have found nothing to be pointed out in relation to the performance of duties by the Directors regarding the internal controls system.

### (2) Results of Audit of non-consolidated financial statements and supporting schedules

In our opinion, the methods and results of audit conducted by the Independent Auditors, Deloitte Touche Tohmatsu LLC are proper.

### (3) Results of Audit of consolidated financial statements

In our opinion, the methods and results of audit conducted by the Independent Auditors, Deloitte Touche Tohmatsu LLC are proper.

May 13, 2010

Meitec Corporation  
Board of Corporate Auditors

Full-time Corporate Auditor  
Yoshinori Takamine

Outside Corporate Auditor  
Masatoshi Saito

Outside Corporate Auditor  
Hirosh Watanabe