Annual Report 2012

Year ended March 31, 2012

PEOPLE AND TECHNOLOGY
LEADING THE WAY TO THE FUTURE

MEITEC
THE ENGINEERING OUTSOURCING® COMPANY

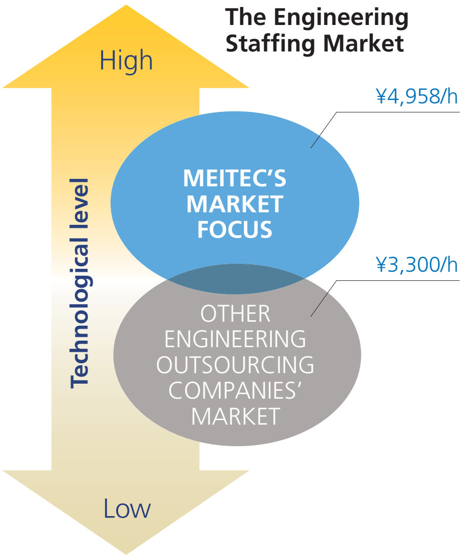
What is Meitec?

The Leading Company in Its Industry

Since its establishment as an engineers staffing company in 1974, Meitec has helped develop technologies at over 4,000 manufacturers, as the leading company in the industry for more than 30 years.

About 7,000 Engineers (in the Meitec Group)

Meitec is Japan's largest engineers staffing group, with approximately 7,000 regularly employed engineers, who are engaged in design and development of such products as machinery, electrical and electronic products and semiconductor design in all manufacturing industries, including electric machinery producers and carmakers.



Serving Highly Technological Domains

Meitec, with its outstanding expertise in the engineering staffing market, virtually dominates areas that require a high technological level. The average hourly billing rate per Meitec engineer is ¥4,958*[1], compared with the market average of about ¥3,300*[2].

*[1] Meitec's actual results in the year ended March 2012
*[2] The Company's estimate

Contents

Forward-Looking Statements

The projected Meitec results, management strategies, and beliefs about the future presented in this Annual Report 2012 are based on Meitec determinations obtained from information available at the time of writing. Readers are requested to be aware of the potential for a large discrepancy between the forecasts contained here and actual business results, as these predictions contain elements of uncertainty as well as known and unknown risks.

Group Management Concept

Mutual Growth & Prosperity

Core Concept

Using engineering outsourcing (EO) services and management resources (people and information) to continue developing in step with industry and society

Basic Policy on Company Management

The MEITEC Group, based on its group management concept "Mutual Growth & Prosperity", will maximize the corporate value of our group originating from the value provided to our employees.

1 Value to Employees

Continue to provide opportunities and placement for all professional engineers.

2 Value to Customers

To be a "reliable strategic partner" for Japanese manufacturers who are undergoing major changes.

3 Value to Shareholders

To be a company which maximize mid and long-term shareholders return by realizing sustainable growth.

4 Value to the Society

To be a pioneer to create a professional labor market in Japan, through establishing a career style of "lifetime professional engineers".

For the consolidated business performance of the fiscal year ended March 31, 2012, Meitec Corporation has achieved revenue growth and profit increase.

During the fiscal year ended March 31, 2012, the domestic production activities among leading manufacturers the major customers of Meitec Corporation ("the Company") were affected to a certain degree by power shortages, disrupted supply chains and other negative factors caused by the Great East Japan Earthquake that occurred in March 2011. Nevertheless, many of our customers continued their investments in technological development that had resumed after Lehman Shock. As a result, we were able to obtain new orders steadily, raising utilization ratio of our engineers at 96.7% in March 2012 compared with 91.3% a year earlier. Furthermore, since many of our customers introduced overtime limit and shift work, the working hours of our engineers remained low until the second quarter but it steadily recovered in the third quarter. Our group companies, including Meitec Fielders, followed an operation path generally similar to the Company's.

As a result, in the consolidated business performance, the Company marked a net sales increase of 8.3% to ¥66,955 million from the previous year, an operating income increase of 107.9% to ¥5,450 million, and an ordinary income increase of 20.5% to ¥5,531 million. Meanwhile, net income decreased 23.3% to ¥2,827 million due to a reduction in extraordinary income and an increase in tax expenses.

During the year ahead, there is a concern that unstable currency exchange rates and the opacity of the world economy could cause unexpected effects on social and economic conditions, as well as on the performance of the manufacturers, which are our major customers. Consequently, we might need to adjust our business operation in accordance with the situation. However, we will make continuous efforts to improve our business performance on a group-wide basis to meet the expectations of our shareholders.

The continued understanding and support of our shareholders would be greatly appreciated.

Kosuke Nishimoto
President, CEO and COO

Consolidated Financial Highlights

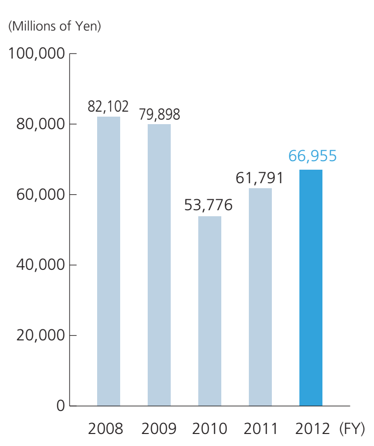
	Millions of yen			Thousands of U.S. dollars (Note 1)
For the year	2012	2011	2010	2012
Net sales	**¥66,955**	¥61,791	¥53,776	**$816,528**
Operating income	**5,450**	2,620	(4,928)	**66,467**
Net income (loss)	**2,827**	3,690	(905)	**34,481**
At year-end				
Total assets	**57,559**	55,714	47,625	**701,939**
Total equity	**37,209**	37,094	33,443	**453,772**

Per share of common stock	Yen			U.S. Dollars (Note 1)
Total equity	**¥1,135.10**	¥1,112.69	¥1,002.58	**$13.84**
Cash dividends	**58.50**	27.50	24.50	**0.71**
Basic net income (loss) (Note 2)	**85.45**	111.33	(27.30)	**1.04**

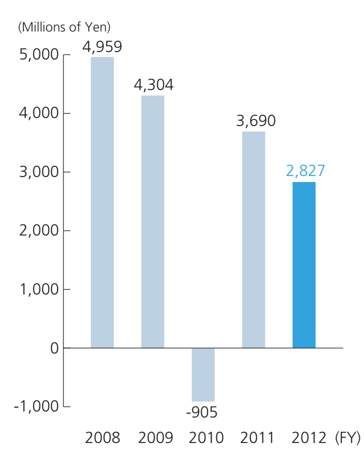
Ratio	%		
Return on average equity	**7.6**	10.5	(2.6)
Equity ratio	**64.5**	66.2	69.8
Dividend payout ratio (Note 3)	**68.5**	24.7	—

Notes: 1. U.S. dollar amounts are translated from Japanese yen, for convenience only, at the rate of ¥82 to US$1, the approximate rate of exchange at March 31, 2012.
2. Basic net income per share is computed based on the weighted average number of shares outstanding during each term.
3. Due to net income being a net loss for the fiscal year ended March 31, 2010, the dividend payout ratio for the year is not shown.

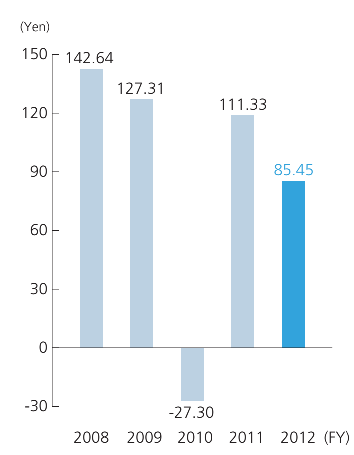
NET SALES



NET INCOME (LOSS)



NET INCOME (LOSS) PER SHARE



Q

How did market conditions impact for the fiscal year ended March 31, 2012?

The Great East Japan Earthquake had the most profound consequences, as it occurred in March a year ago, just before the fiscal year ended March 31, 2012 started. The disruption to supply chains that arose immediately after the earthquake, as well as power shortages, had an incredibly huge impact on the domestic production activities of our main customers—leading manufacturers in Japan—especially in the first half of the fiscal year.

However, despite the impact on production, most of Japan's leading manufacturers continued their great effort to sustain the investment into technological development.

Through the first half of the fiscal year, our customers curtailed production activities, in some cases adjusting the work schedule or limiting overtime. This caused a drop in the working hours of our engineers and affected our business performance.

In the temporary engineer staffing business, the working hours gradually started to increase from the second half of the fiscal year. The working hours through the first half of the fiscal year were shorter than expected, which prompted management to revise performance forecasts downward in November 2011. But as the recovery tone brightened from the second half of the fiscal year, management adjusted the revised targets upward in February 2012, and in the end, consolidated results exceeded initial forecast.

Q

Could you tell us the progress of the Company's Mid-term Management Plan, "Co-creation 21" from April 1, 2011 to March 31, 2014?

Progress of the Mid-term Management Plan

The Mid-term Management Plan emphasizes two objectives. The first is to recover from the damage caused by the Lehman shock—that is, polish tarnished corporate value. The second is to build a platform for a new stage of growth.

To see the progress we achieved toward bringing value back from the damage caused by the Lehman shock in the first year of the Mid-term Management Plan, look first at performance: we achieved operating income of 5,400 million yen in the fiscal year ended March 31, 2012, rebounding from an operating loss of 4,900 million yen on a consolidated basis in the fiscal year ended March 31, 2010.

By and large, we restored value to employees, demonstrated by an improvement in the utilization ratio to 96.7% for March 2012.

Value to customers is on a positive trajectory now. After we lost nearly 30% of our customer base, we adopted a more aggressive marketing approach. The number of customers has returned to the same level as that prior to the Lehman shock.

While we have reestablished a sense of corporate value among employees and customers, we have to acknowledge that our stock price is suggesting that we have not yet responded fully to shareholder expectations.

Initiatives for the future

We made progress toward achieving our targets in the first year of the Mid-term Management Plan and will strive to maintain the momentum in the second and third years to achieve sales and profit targets in the Mid-term Management Plan. The strategic target is not directly connected to sources of sales and profit. But the Lehman shock taught us a hard lesson but provided insight to promote investment activities that will reinforce our business foundation and make it more resilient to changes in the market.

Sales, Profit and Strategic Target

1. Sales and Profit Target (Fiscal Year Ending March 2014)

- **Consolidated Sales: over 77,000 million yen**
  * Non-consolidated sales to be recovered to level before the Lehman Shock
- **Consolidated Operating Income: over 7,500 million yen**
  * Non-consolidated operating income ratio to be over 10%
- **Consolidated ROE: over 10%**

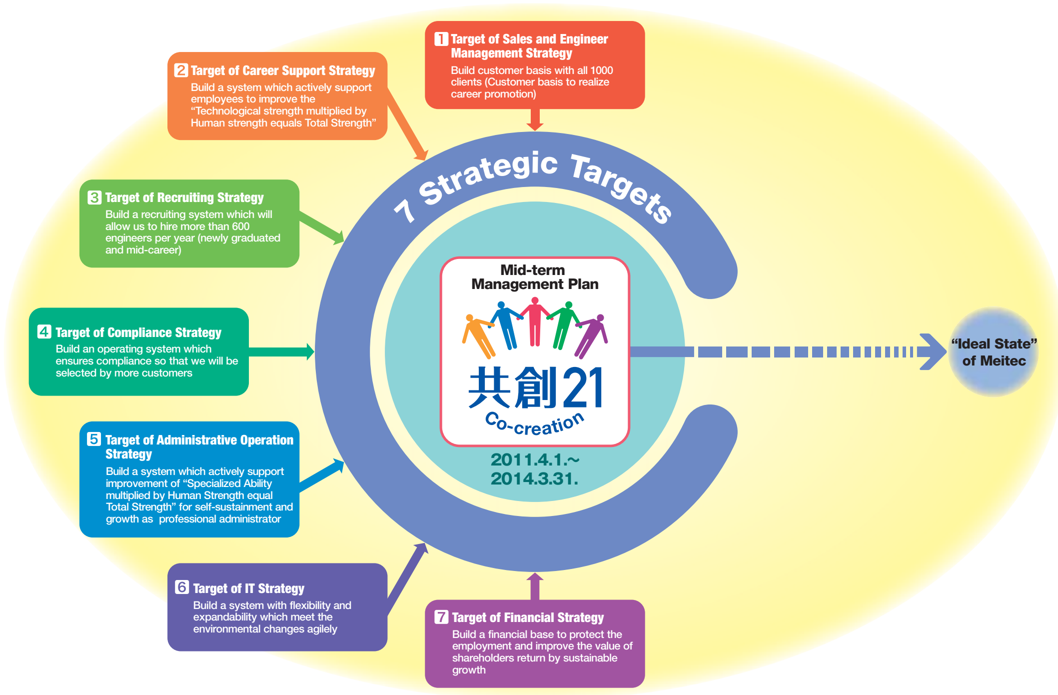
2. Strategic Target (Meitec alone)

Build a stronger business base to realize the continuous growth in mid-to long-term regardless of whether the market is in crisis or not

We focus on building blocks of a stronger corporate structure through achieving seven strategic targets.

After achieving the targets of the plan, we will set a higher target for operating income and apply the results of our efforts as a springboard to launch us forward to the next stage of our corporate development.

7 Strategic Targets (Meitec alone)



Key Points of Mid-term Management Plan

- Meitec will build stronger business base according to the 7 strategic targets of the plan.
- Due to the strategic investments according to the plan, operating income will be lower than that of before the Lehman Shock for next three years. Main purpose is to avoid losses in the scale of the recent crisis, even if we have to face a crisis in the same level as the Lehman Shock.
- After achieving the targets of the plan, we will set higher target for the operating income.

Q What is your outlook for the fiscal year ending March 31, 2013?

Progress in the fiscal year ending March 31, 2013 is conditioned upon four assumptions.

1. Macroeconomic factors at home and abroad are uncertain, creating a perfect storm scenario for crisis situations to appear at any time. Prevailing circumstances will surely sustain a sense of crisis and tension.

As we mentioned last year, the uncertainty of the economy is growing. Despite the challenging conditions, however, manufacturers in Japan—our major customers—are likely to maintain their technological investment focus.

2. In April 2012 we hired 389 newly graduated engineers (Meitec: 220, Meitec Fielders: 169). We plan to have all these employees assigned to customers in the first half of the fiscal year.

3. We plan to achieve target for recruitment plan of 420 mid-career engineers (Meitec: 240, Meitec Fielders: 180).

4. We will mark steady progress on the Medium-term Management for the realization of mid-to long-term sustainable growth.

Consolidated performance forecast calls for net sales of 69,500 million yen. We expect operating income to reach 5,500 million yen, ordinary income, also 5,500 million yen, and net income, the same as well.

Non-consolidated results will likely mirror the year-on-year change of consolidated results. In the first half of the fiscal year, operating income will probably fall below the amount posted in the corresponding period a year earlier, on a consolidated basis as well as a non-consolidated basis. The main reason for this downward change is, as we mentioned earlier, related to the hiring of newly graduated engineers by Meitec and Meitec Fielders in April 2012, which will cause respective utilization ratio to shrink, albeit temporarily. On a full-year basis, we plan to expand operating income.

Q Do you have any impact from the amendment of the Worker Dispatch Law?

The law underwent changes in March 2012 and these changes will take effect in October 2012, but we have concluded that they will not have much of an impact on the temporary staffing services we provide.

Regulations have become stricter through revisions of the Worker Dispatch Law since before the Lehman shock. But the specialized temporary staffing services that we provide—that is, hiring engineers on a full-time basis and placing them with customers— has always been exempt. The focus of tighter restrictions has been on outsourced labor characterized by job uncertainty, especially day labor, and so-called registration-type temporary staffing services, where potential workers sign up with an agency.

Q What is Meitec's policy regarding shareholder returns going forward?

For the fiscal year ending March 31, 2013, we plan to distribute an annual dividend of 95.50 yen per share, an increase of 37 yen per share from the previous fiscal year ended March 31, 2012. This annual dividend will comprise an interim amount of 29.50 yen per share and a year-end amount of 66 yen per share.

Basically, we aim for a payout ratio of 50% or more. If 50% of net income is less than 5% of dividend-on-equity (DOE), then the distribution will be based on 5% DOE.

In keeping with this dividend policy, we will apply the 5% DOE calculation to the interim dividend, arriving at 29.50 yen per share. For the year-end dividend, we will apply the 50% payout ratio, pegged to consolidated net income reflecting the liquidation of a subsidiary, BMOA. And this should come out to 66 yen per share.

Consistent with the concept of a total return ratio within 100%, we plan to purchase 2,400 million yen worth of treasury stock in the fiscal year ending March 31, 2013.

Basic Policy

The MEITEC Group has adopted as its management principle, "Mutual Growth & Prosperity." The underlying concept for this principle is to "develop together with industry by making business resources (people and information) publicly available through the engineering outsourcing business of the MEITEC Group."
The MEITEC Group, based on its group management concept "Mutual Growth & Prosperity", will maximize the corporate value of our group originating from the value provided to our employees.

1. Value to Employees

Continue to provide good opportunities for all professional engineers.

2. Value to Customers

To be a "reliable strategic partner" for Japanese manufacturers who are undergoing major changes.

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The MEITEC Group's management policy is to improve the value provided to the employees, customers, shareholders and society as above. Our importance is in conducting clear and healthy management without violating social ethics.

Our basic policy toward the corporate governance is to check to see if our decision making by the management is carried out according to above, and reinforce management system to make correction if necessary.

Corporate System

1. Directors and the Board of Directors

MEITEC's Board of Directors consists of eight directors (of which, two is an outside director). The board meeting is basically held once a month. Its function is to make importance business decisions regarding the corporate group and oversight the execution of directors. Also with the neutral and objective view of outside directors and outside auditors, the Company is strengthening the appropriate management decision making and oversight. Also by adopting the executive officer system, the Company grant necessary authority, and strive for prompt and appropriate decision making.

2. Auditors and the Board of Corporate Auditors

MEITEC Board of Corporate Auditors consisting of three outside auditors (of which one is standing outside statutory auditor). The meeting is basically held once a month. Its function is to decide auditing plan, report result of audit by each auditor, discusses matters which need opinion and recommendations. Also, each auditor are, according to the auditing rules for the Board of Auditor and auditing plan, through attending the board of director's meeting and observing the business operation and status of assets, oversight the business execution by the directors.

3. Corporate Governance Committee

This committee comprises all directors, and is chaired by an outside director. It conducts self-checks to strengthen the corporate governance and CSR of the corporate group. The committee meets once each half fiscal year.

4. The CEO Nominating Committee

This committee comprises all directors with the exception of the current CEO of the MEITEC Group, and is chaired by an outside director. Its purpose is to objectively debate and select the ideal candidate for CEO of the MEITEC Group.
The committee meets in December of the year prior to the fiscal year in which directors are elected. The candidate for CEO of the MEITEC Group may propose other candidates for nomination to director.

Internal Control System

MEITEC's Board of Directors determines the basic policy regarding the internal control system in accordance with the Companies Act. The implementation status of MEITEC's internal control system is as follows.

a) 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
b) Framework for storing and managing information relating to the directors' execution of duties
c) Framework for risk management
d) Framework to ensure the efficient execution of duties by directors and employees
e) 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
f) 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
g) Framework to ensure sound business operations within the Company and the Meitec Group

Defense from Hostile TOB

Company has not introduced the measure for the defense from hostile TOB, poison pill. The Company sees the shareholder, customer and employee as main stakeholder of the company, and providing improved satisfaction to them would heighten the value of the company, and will realize the defense for the hostile TOB.

Note: The outline of our corporate governance can be viewed at the following Meitec website:
http://www.meitec.co.jp/e/company/governance/tabid/279/Default.aspx

Millions of Yen

For the Year	2012	2011	2010	2009	2008
Net sales	**¥66,955**	¥61,791	¥53,776	¥79,898	¥82,102
Cost of sales	**49,875**	48,833	46,765	57,177	57,777
Gross profit on sales	**17,080**	12,958	7,011	22,721	24,325
Selling, general and administrative expenses	**11,630**	10,338	11,939	13,440	12,960
Operating income	**5,450**	2,620	(4,928)	9,281	11,365
Net income (loss)	**2,827**	3,690	(905)	4,304	4,959
At Year-end					
Total assets	**¥57,559**	¥55,714	¥47,625	¥54,231	¥57,785
Current assets	**40,644**	37,661	28,444	33,296	35,356
Net property and equipment	**11,257**	11,689	12,069	12,819	13,374
Liabilities	**11,166**	10,017	14,182	18,062	20,186
Total equity	**37,209**	37,094	33,443	36,169	37,599
Per share					
Basic net income (loss)	**¥85.45**	¥111.33	¥(27.30)	¥127.31	¥142.64
Cash dividends	**58.50**	27.50	24.50	75.00	72.00
Total equity	**1,135.10**	1,112.69	1,002.58	1,081.85	1,086.71
Ratios					
Gross profit margin	**25.5%**	21.0%	13.0%	28.4%	29.6%
Operating income margin	**8.1**	4.2	(9.2)	11.6	13.8
Net income margin	**4.2**	6.0	(1.7)	5.4	6.0
Return on average equity	**7.6**	10.5	(2.6)	11.8	13.1
Current ratio	**364.0**	376.0	444.9	301.9	256.9
Equity ratio	**64.5**	66.2	69.8	66.1	64.6
Dividend payout ratio	**68.5**	24.7	—	58.9	50.5
Price-earnings ratio	**19.5**	14.9	—	9.6	21.2
Major operating data					
Number of shares issued	**34,700,000**	35,100,000	35,100,000	35,100,000	35,442,255
Share price (yen)	**1,669**	1,664	1,831	1,216	3,020
Number of shareholders	**6,003**	6,724	7,059	6,664	6,452
Number of employees (non-consolidated)	**5,822**	6,065	6,345	6,300	6,197
Number of employees (consolidated)	**7,445**	7,722	8,368	8,588	8,398

Overview of the Economy

Throughout the fiscal year ended March 31, 2012 (from April 1, 2011 to March 31, 2012), the Japanese economy continued to face significant uncertainty about its prospects due to power shortages and the disruption of supply chains in the wake of the Great East Japan Earthquake during the first half, and the deceleration of overseas economies and the sharp appreciation of the yen during the second half.

During the fiscal year ended March 31, 2012, domestic production activities among leading Japanese manufacturers, which are the major customers of Meitec Group (the Company), were affected by the Great East Japan Earthquake and other factors. Nonetheless, investments in technological development, which resumed after Lehman Shock, continued on the whole. However yen appreciation and other factors led to more cost reductions trend among these customers.

Under these circumstances, the utilization ratio significantly improved in the Group's core business—temporary engineer staffing as many customers continued investments in technological development and the Company was able to continue to land new contracts from the previous fiscal year.

Net Sales

Primarily for this reason, consolidated net sales for the year under review increased ¥5,164 million from the previous year to ¥66,955 million.

Cost of Sales

Consolidated cost of sales rose ¥1,042 million to ¥49,875 million, mainly reflecting increased labor costs due to the improvement of the utilization ratio.

Selling, General and Administrative Expenses

Consolidated selling, general and administrative expenses advanced ¥1,292 million to ¥11,629 million, primarily due to an increase in strategic investments.

Operating Income

As a result, consolidated operating income jumped ¥2,829 million from a year earlier to ¥5,450 million.

Other Income (Expenses)

Other income was ¥77 million, which is a decrease of ¥2,035 million from ¥2,112 million recorded for the previous fiscal year due to a decrease in subsidies for the temporary staffing business as a result of the expiry of employment adjustment subsidies.

Net Income

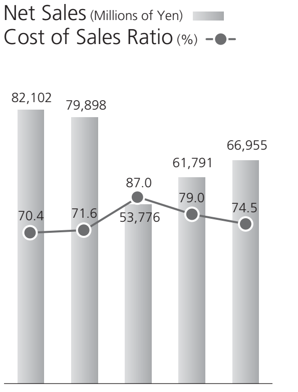
Consolidated net income for the period under review decreased ¥862 million to ¥2,827 million.

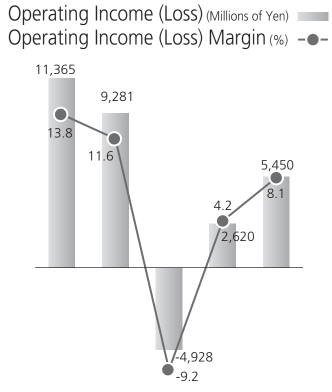
Overview of Results by Business Segment

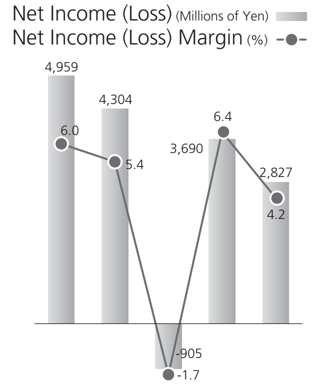
Temporary Staffing Business

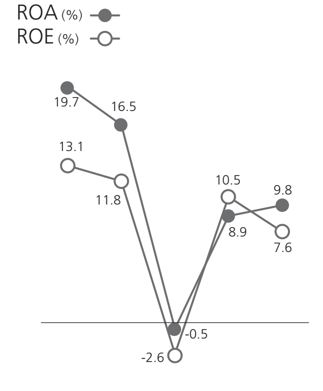
The Temporary Staffing Business accounts for more than 90% of consolidated net sales. Particularly in temporary engineer staffing, the core business of this segment, many customers continued investments in technological development, and the Company was therefore able to continue to land new contracts steadily, which helped significantly improve the Meitec's non-consolidated average utilization ratio (overall) from 85.1% a year earlier to 93.2% in the period under review.

As a result of these improvements of the utilization ratio, consolidated net sales in the Temporary Staffing Business segment for this consolidated fiscal year had increased ¥5,151









million compared to the previous fiscal year to ¥63,827 million.

The rise in net sales raised operating income by ¥2,855 million to ¥5,225 million.

Engineering Solutions Business

In the Engineering Solutions Business, the Company provides engineering services related to analytical technologies, prototype production, casting/metal mold production and technology support for printed-circuit boards.

Consolidated net sales in the Engineering Solutions Business segment for this fiscal year fell ¥126 million from a year earlier to ¥3,005 million, and operating income declined ¥66 million from a year earlier to ¥141 million.

Meitec CAE maintained profitability despite a decrease in income due to a reduced number of orders received as a result of the impact of the Great East Japan Earthquake. The operating profit was secured although the Apollo Giken Co., group also had a decrease of ordering, and bad debt expense appropriation.

Global Business

In the Global Business segment, the Company engages in vocational training and job placement in China.

In vocational training, efforts were made to optimize the size of staff and facilities for human resource development. As a result, the Global Business segment's consolidated net sales for this fiscal year decreased ¥50 million to ¥27 million and an operating loss of ¥70 million was posted, a loss ¥5 million larger than a year earlier.

Recruiting & Placement Business

The Recruiting & Placement Business segment involves the job placement and an information portal site business intended for engineers.

Consolidated net sales of the Recruiting & Placement Business segment advanced ¥154 million from a year earlier to ¥599 million, and operating income grew ¥46 million to ¥148 million.

Meitec Next Corporation achieved revenue and profit growth due to a higher number of job openings.

Forecasts for the Fiscal Year Ending March 31, 2013

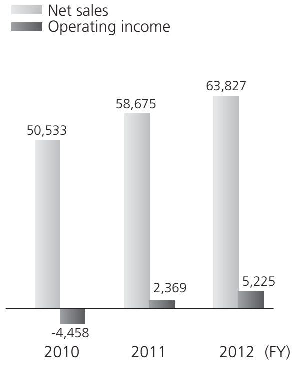
Summary of Consolidated Forecasts for the fiscal year ending March 31, 2013

(Millions of Yen, rounded down)	Net Sales	Operating Income	Ordinary Income	Net Income
Forecast for the 1st half of FYE 3/2013	33,200	2,100	2,100	1,200
Comparison to the 1st half of FYE 3/2012	+1,262	-228	-250	-95
Forecast for FYE 3/2013	69,500	5,500	5,500	5,500
Comparison to FYE 3/2012	+2,544	+49	-31	+2,672
Result for the 1st half of FYE 3/2012	31,937	2,328	2,350	1,295
Result for FYE 3/2012	66,955	5,450	5,531	2,827

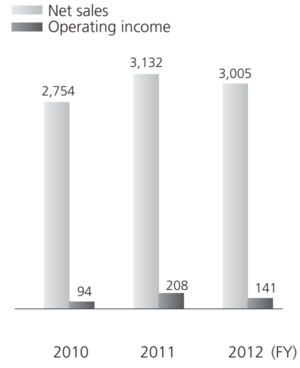
Although uncertainty about the economic future is expected to continue due to uneasiness about such concerns as yen appreciation and power shortages, the consolidated forecasts for the fiscal year ending March 31, 2013, have been produced based on assumptions, including the utilization ratio. These forecasts reflect expected year-on-year increases in new graduate hired and midcareer hiring.

The forecast of consolidated net sales for the fiscal year ending March 31, 2013, is ¥69,500 million, or a year-on-year rise of ¥2,544 million, because increased employment through aggressive and continuous recruiting activities and steady demand for engineers are expected. Consolidated operating income is

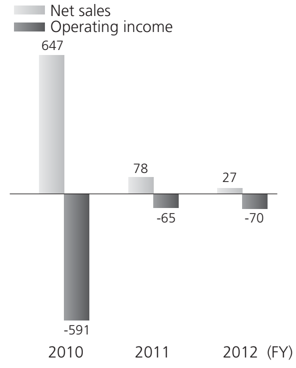
Temporary Staffing Business
(Millions of Yen)



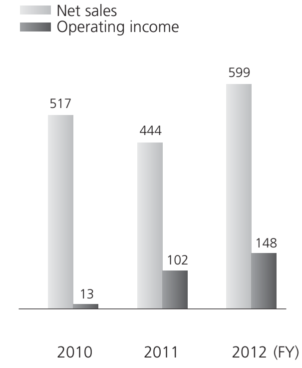
Engineering Solutions Business
(Millions of Yen)



Global Business
(Millions of Yen)



Recruiting & Placement Business
(Millions of Yen)



expected to be same level as from a year earlier at ¥5,500 million, considering active investment plans to be included in selling, general and administrative expenses. Consolidated ordinary income is also expected to be same level as from a year earlier at ¥5,500 million. Consolidated net income is expected to jump ¥2,672 million to ¥5,500 million, reflecting a decline in tax expenses in connection with the dissolution of a subsidiary planned during the second half of the year ending March 31, 2013.

Financial Position

• Assets

Total consolidated assets at the end of this fiscal year (March 31, 2012) increased ¥1,844 million from March 31, 2011, to ¥57,559 million, mainly due to an increase of ¥2,982 million in current assets from the previous fiscal year end, reflecting a rise in cash and cash equivalent.
Reason for the increase of cash and cash equivalent was mainly due to reflections of results of operations in this fiscal year.

• Liabilities

Total consolidated liabilities at the end of this fiscal year (March 31, 2012) increased ¥1,729 million from March 31, 2011, to ¥20,349 million, primarily due to an increase of ¥1,149 million in current liabilities from the previous fiscal year.

The major factors responsible for the increase in current liabilities included a rise in the provision for bonuses.

• Total Equity

Total consolidated net assets at the end of this fiscal year (March 31, 2012) increased ¥114 million from March 31, 2011, to ¥37,209 million. This was mainly due to the increase of retained earnings as results of operations for this fiscal year.

Cash Flows

Consolidated cash and cash equivalents (hereafter, Cash) had increased by ¥2,687 million compared to the previous fiscal year to ¥26,687 million. Status and factors of the cash flow of the subject year for are as following:

• Cash Flow from Operating Activities

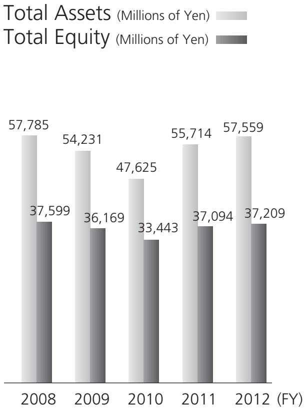
Cash gained from the operating activities decreased by ¥3,538 million compared to the previous fiscal year to ¥5,753 million. Major portion of the gain was ¥5,526 million from the income before tax adjustments.

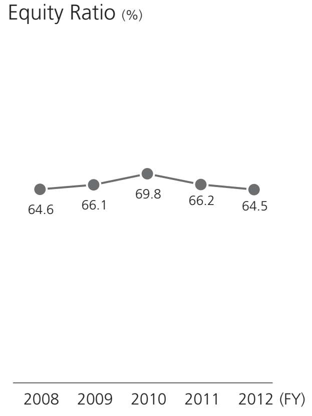
• Cash Flow from Investing Activities

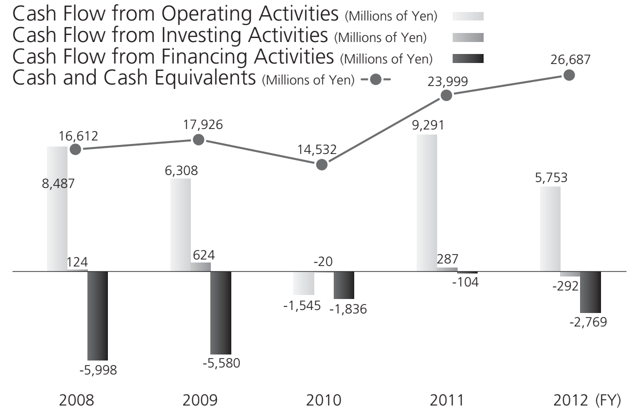
Cash used in the investing activities was ¥292 million. Major portion was the ¥225 million used for acquisition of intangible assets.

• Cash Flow from Financing Activities

Cash used in the financing activities increased by ¥2,664 million compared to the previous fiscal year to ¥2,769 million. Major portion was ¥1,872 million from payment for dividends and ¥700 million from acquisition of the treasury shares.







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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of MEITEC CORPORATION:

We have audited the accompanying consolidated balance sheet of MEITEC CORPORATION (the "Company") and consolidated subsidiaries as of March 31, 2012, and the related consolidated statements of income, comprehensive income, changes in equity, and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information, all expressed in Japanese yen.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in conformity with accounting principles generally accepted in Japan, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatements, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in conformity with auditing standards generally accepted in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of MEITEC CORPORATION and consolidated subsidiaries as of March 31, 2012, and the consolidated results of their operations and their cash flows for the year then ended in conformity with accounting principles generally accepted in Japan.

Emphasis of Matter

As discussed in Note 16 to the consolidated financial statements, the Company resolved to dissolve BMOA CORPORATION, a consolidated subsidiary, at the Board of Directors' meeting held on May 10, 2012. Our opinion is not qualified in respect of this matter.

Convenience Translation

Our audit also comprehended the translation of Japanese yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made in conformity with the basis stated in Note 1. Such U.S. dollar amounts are presented solely for the convenience of readers outside Japan.

Deloitte Touche Tohmatsu LLC

June 21, 2012

Member of
Deloitte Touche Tohmatsu Limited

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
ASSETS	2012	2011	2012
CURRENT ASSETS:			
Cash and cash equivalents (Notes 4 and 15)	**¥26,687**	¥23,999	**$325,446**
Notes and accounts receivable (Notes 4 and 15):			
Trade notes and accounts	**10,675**	10,246	**130,189**
Allowance for doubtful accounts	**(15)**	(20)	**(180)**
Inventories (Note 5)	**277**	197	**3,374**
Deferred tax assets (Note 10)	**2,131**	2,036	**25,992**
Prepaid expenses and other	**889**	1,203	**10,832**
Total current assets	**40,644**	37,661	**495,653**
PROPERTY AND EQUIPMENT:			
Land	**3,585**	3,585	**43,718**
Buildings and structures	**19,741**	19,702	**240,741**
Furniture and fixtures	**2,344**	2,354	**28,590**
Other	**447**	431	**5,460**
Total	**26,117**	26,072	**318,509**
Accumulated depreciation	**(14,860)**	(14,383)	**(181,223)**
Net property and equipment	**11,257**	11,689	**137,286**
INVESTMENTS AND OTHER ASSETS:			
Investment securities (Notes 3 and 4)	**326**	312	**3,970**
Software	**1,301**	1,864	**15,864**
Leasehold deposits	**662**	679	**8,080**
Deferred tax assets (Note 10)	**3,229**	3,384	**39,373**
Other	**140**	125	**1,713**
Total investments and other assets	**5,658**	6,364	**69,000**
TOTAL	**¥57,559**	¥55,714	**$701,939**

See notes to consolidated financial statements.

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
LIABILITIES AND EQUITY	**2012**	2011	**2012**
CURRENT LIABILITIES:			
Trade accounts payable (Note 4)	**¥151**	¥168	**$1,838**
Income taxes payable (Note 4)	**1,733**	1,732	**21,136**
Accrued expenses	**7,255**	5,958	**88,471**
Other (Note 4)	**2,027**	2,159	**24,723**
Total current liabilities	**11,166**	10,017	**136,168**
LONG-TERM LIABILITIES:			
Liability for retirement benefits (Note 7)	**9,079**	8,452	**110,723**
Deferred tax liabilities (Note 10)	**1**		**3**
Deferred tax liabilities for land revaluation (Notes 2.j and 10)	**37**	42	**456**
Other	**67**	109	**817**
Total long-term liabilities	**9,184**	8,603	**111,999**
EQUITY (Note 8):			
Common stock—authorized, 142,854 thousand shares in 2012 and 2011; issued, 34,700 thousand shares in 2012 and 35,100 thousand shares in 2011	**16,826**	16,826	**205,194**
Capital surplus	**13,343**	14,451	**162,725**
Retained earnings	**13,378**	12,406	**163,152**
Treasury stock—at cost, 1,997 thousand shares in 2012 and 1,975 thousand shares in 2011	**(5,530)**	(5,937)	**(67,445)**
Accumulated other comprehensive income:			
Unrealized gain on available-for-sale securities	**13**	6	**158**
Land revaluation difference (Note 2.j)	**(878)**	(883)	**(10,711)**
Foreign currency translation adjustments	**(31)**	(11)	**(373)**
Total	**37,121**	36,858	**452,700**
Minority interests	**88**	236	**1,072**
Total equity	**37,209**	37,094	**453,772**
TOTAL	**¥57,559**	¥55,714	**$701,939**

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2012	2011	**2012**
NET SALES	**¥66,955**	¥61,791	**$816,528**
COST OF SALES	**49,875**	48,833	**608,236**
Gross profit	**17,080**	12,958	**208,292**
SELLING, GENERAL, AND ADMINISTRATIVE EXPENSES	**11,630**	10,338	**141,825**
Operating income	**5,450**	2,620	**66,467**
OTHER INCOME (EXPENSES):			
Interest and dividend income	**12**	13	**142**
Gain on sales of investment securities		158	
Subsidy income	**19**	2,036	**233**
Foreign exchange loss	**(2)**	(19)	**(30)**
Gain (loss) on investments in partnerships	**11**	(18)	**129**
Loss on sales and disposals of property and equipment	**(3)**	(109)	**(32)**
Impairment loss		(16)	
Reversal of allowance for doubtful accounts	**26**	216	**315**
Provision for allowance for doubtful accounts		(17)	
Contribution		(100)	
Loss on adjustment for changes of accounting standard for asset retirement obligations		(77)	
Other—net	**14**	45	**174**
Other income—net	**77**	2,112	**931**
INCOME BEFORE INCOME TAXES AND MINORITY INTERESTS	**5,527**	4,732	**67,398**
INCOME TAXES (Note 10):			
Current	**2,650**	1,763	**32,311**
Deferred	**59**	(754)	**717**
Total income taxes	**2,709**	1,009	**33,028**
NET INCOME BEFORE MINORITY INTERESTS	**2,818**	3,723	**34,370**
MINORITY INTERESTS IN NET INCOME (LOSS)	**(9)**	33	**(111)**
NET INCOME	**¥2,827**	¥3,690	**$34,481**

	Yen		U.S. Dollars (Note 1)
	2012	2011	**2012**
PER SHARE OF COMMON STOCK (Notes 2.s and 12):			
Basic net income	**¥85.45**	¥111.33	**$1.04**
Cash dividends applicable to the year	**58.50**	27.50	**0.71**

See notes to consolidated financial statements.

Consolidated Statements of Comprehensive Income

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2012	2011	2012
NET INCOME BEFORE MINORITY INTERESTS	¥2,818	¥3,723	$34,370
OTHER COMPREHENSIVE INCOME (Note 13):			
Unrealized gain (loss) on available-for-sale securities	4	(15)	54
Land revaluation difference (Note 2.j)	5		58
Foreign currency translation adjustments	(1)	(11)	(16)
Total other comprehensive income	8	(26)	96
Comprehensive income	¥2,826	¥3,697	$34,466
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:			
Owners of the parent	¥2,835	¥3,668	$34,573
Minority interests	(9)	29	(107)

See notes to consolidated financial statements.

	Thousands	Millions of Yen									
						Accumulated Other Comprehensive Income					
	Number of Shares of Common Stock Outstanding	Common Stock	Capital Surplus	Retained Earnings	Treasury Stock	Unrealized Gain on Available-for-Sale Securities	Land Revaluation Difference	Foreign Currency Translation Adjustments	Total	Minority Interests	Total Equity
BALANCE, MARCH 31, 2010	33,150	¥16,826	¥14,451	¥8,716	¥(5,891)	¥21	¥(883)	¥(4)	¥33,236	¥207	¥33,443
Net income				3,690					3,690		3,690
Purchase of treasury stock	(25)				(46)				(46)		(46)
Net change in the year						(15)		(7)	(22)	29	7
BALANCE, MARCH 31, 2011	33,125	¥16,826	¥14,451	¥12,406	¥(5,937)	¥6	¥(883)	¥(11)	¥36,858	¥236	¥37,094
Net income				2,827					2,827		2,827
Cash dividends, ¥56.5 per share				(1,872)					(1,872)		(1,872)
Purchase of treasury stock	(422)				(701)				(701)		(701)
Retirement of treasury stock			(1,108)		1,108						
Change of scope of consolidation				17					17		17
Net change in the year						7	5	(20)	(8)	(148)	(156)
BALANCE, MARCH 31, 2012	**32,703**	**¥16,826**	**¥13,343**	**¥13,378**	**¥(5,530)**	**¥13**	**¥(878)**	**¥(31)**	**¥37,121**	**¥88**	**¥37,209**

	Thousands of U.S. Dollars (Note 1)									
					Accumulated Other Comprehensive Income					
	Common Stock	Capital Surplus	Retained Earnings	Treasury Stock	Unrealized Gain on Available-for-Sale Securities	Land Revaluation Difference	Foreign Currency Translation Adjustments	Total	Minority Interests	Total Equity
BALANCE, MARCH 31, 2011	$205,194	$176,236	$151,292	$(72,408)	$76	$(10,769)	$(140)	$449,481	$2,891	$452,372
Net income			34,481					34,481		34,481
Cash dividends, $0.69 per share			(22,824)					(22,824)		(22,824)
Purchase of treasury stock				(8,548)				(8,548)		(8,548)
Retirement of treasury stock		(13,511)		13,511						
Change of scope of consolidation			203					203		203
Net change in the year					82	58	(233)	(93)	(1,819)	(1,912)
BALANCE, MARCH 31, 2012	**$205,194**	**$162,725**	**$163,152**	**$(67,445)**	**$158**	**$(10,711)**	**$(373)**	**$452,700**	**$1,072**	**$453,772**

See notes to consolidated financial statements.

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2012	2011	**2012**
OPERATING ACTIVITIES:			
Income before income taxes and minority interests	**¥5,527**	¥4,732	**$67,398**
Adjustments for:			
Income taxes—paid	**(2,612)**	(198)	**(31,857)**
Income taxes—refund		63	
Depreciation and amortization	**1,273**	1,333	**15,528**
Amortization of goodwill	**2**		**20**
Gain on sales of investment securities		(158)	
Loss on sales and disposals of property and equipment	**2**	102	**28**
(Gain) loss on investments in partnerships	**(11)**	18	**(129)**
Impairment loss		16	
Loss on adjustment for changes of accounting standard for asset retirement obligations		77	
Changes in assets and liabilities:			
Increase in trade receivables	**(430)**	(663)	**(5,244)**
Increase in inventories	**(80)**	(44)	**(974)**
(Decrease) increase in trade payables	**(17)**	45	**(213)**
(Decrease) increase in accrued expenses	**(3,448)**	1,093	**(42,047)**
Increase in provision for bonuses	**4,689**		**57,180**
Increase in provision for directors' bonuses	**57**		**695**
(Decrease) increase in consumption taxes payable	**(162)**	791	**(1,975)**
Decrease in allowance for doubtful accounts	**(38)**	(149)	**(466)**
Increase in liability for retirement benefits	**627**	713	**7,646**
Decrease in other current assets	**327**	1,484	**3,994**
Increase in other current liabilities	**47**	18	**576**
Other—net		18	
Total adjustments	**226**	4,559	**2,762**
Net cash provided by operating activities	**5,753**	9,291	**70,160**
INVESTING ACTIVITIES:			
Proceeds from sales of short-term investments		200	
Proceeds from sales of investment securities		158	
Purchases of property and equipment	**(72)**	(48)	**(881)**
Purchases of other investments and assets	**(225)**	(24)	**(2,748)**
Other—net	**5**	1	**66**
Net cash (Used in) provided by investing activities	**(292)**	287	**(3,563)**
FINANCING ACTIVITIES:			
Acquisition of treasury stock	**(701)**	(46)	**(8,548)**
Dividends paid	**(1,872)**	(4)	**(22,829)**
Repayments to minority shareholders	**(140)**		**(1,708)**
Other—net	**(56)**	(54)	**(685)**
Net cash used in financing activities	**(2,769)**	(104)	**(33,770)**
FOREIGN CURRENCY TRANSLATION ADJUSTMENTS ON CASH AND CASH EQUIVALENTS		(7)	
NET INCREASE IN CASH AND CASH EQUIVALENTS	**2,692**	9,467	**32,827**
DECREASE IN CASH AND CASH EQUIVALENTS RESULTING FROM CHANGE OF SCOPE OF CONSOLIDATION	**(4)**		**(53)**
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	**23,999**	14,532	**292,672**
CASH AND CASH EQUIVALENTS, END OF YEAR	**¥26,687**	¥23,999	**$325,446**

See notes to consolidated financial statements.

1. BASIS OF PRESENTING CONSOLIDATED FINANCIAL STATEMENTS

The accompanying consolidated financial statements have been prepared in accordance with the provisions set forth in the Japanese Financial Instruments and Exchange Act and its related accounting regulations, and in conformity with accounting principles generally accepted in Japan ("Japanese GAAP"), which are different in certain respects as to application and disclosure requirements of International Financial Reporting Standards.

In preparing these consolidated financial statements, certain reclassifications and rearrangements have been made to the consolidated financial statements issued domestically in order to present them in a form that is more familiar to readers outside Japan. In addition, certain reclassifications have been made in the 2011 consolidated financial statements to conform to the classifications used in 2012.

The consolidated financial statements are stated in Japanese yen, the currency of the country in which MEITEC CORPORATION (the "Company") is incorporated and operates. The translations of Japanese yen amounts into U.S. dollar amounts are included solely for the convenience of readers outside Japan and have been made at the rate of ¥82 to $1, the approximate rate of exchange at March 31, 2012. Such translations should not be construed as representations that the Japanese yen amounts could be converted into U.S. dollars at that or any other rate.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. *Consolidation* — The consolidated financial statements as of March 31, 2012, include the accounts of the Company and its 12 (14 in 2011) subsidiaries (together, the "Group").

In fiscal 2012, two subsidiaries were excluded from the scope of consolidation as one was liquidated and the other had an immaterial effect on the accompanying consolidated financial statements. In fiscal 2011, two subsidiaries were excluded from the scope of consolidation as one was liquidated and the other was merged with the Company.

Under the control or influence concept, those companies in which the Company, directly or indirectly, is able to exercise control over operations are fully consolidated, and those companies over which the Group has the ability to exercise significant influence are accounted for by the equity method.

The excess of the cost of an acquisition over the fair value of the net assets of the acquired subsidiary at the date of acquisition is being amortized over a period of 20 years.

All significant intercompany balances and transactions have been eliminated in consolidation. All material unrealized profit included in assets resulting from transactions within the Group is eliminated.

b. *Unification of Accounting Policies Applied to Foreign Subsidiaries for the Consolidated Financial Statement* — In May 2006, the Accounting Standards Board of Japan ("ASBJ") issued ASBJ Practical Issues Task Force (PITF) No. 18, "Practical Solution on Unification of Accounting Policies Applied to Foreign Subsidiaries for the Consolidated Financial Statements."

PITF No. 18 prescribes that (1) the accounting policies and procedures applied to a parent company and its subsidiaries for similar transactions and events under similar circumstances should in principle be unified for the preparation of the consolidated financial statements, (2) financial statements prepared by foreign subsidiaries in accordance with either International Financial Reporting Standards or the accounting principles generally accepted in the United States of America tentatively may be used for the consolidation process, (3) however, the following items should be adjusted in the consolidation process so that net income is accounted for in accordance with Japanese GAAP unless they are not material:

(a) amortization of goodwill,
(b) scheduled amortization of actuarial gain or loss of pensions that has been directly recorded in the equity,
(c) expensing capitalized development costs of R&D,
(d) cancellation of the fair value model accounting for property, plant, and equipment and investment properties and incorporation of the cost model accounting,
(e) exclusion of minority interests from net income, if contained in net income.

c. *Business Combination* — In October 2003, the Business Accounting Council issued a Statement of Opinion, "Accounting for Business Combinations," and in December 2005, the ASBJ issued ASBJ Statement No. 7, "Accounting Standard for Business Divestitures" and ASBJ Guidance No. 10, "Guidance for Accounting Standard for Business Combinations and Business Divestitures."

The accounting standard for business combinations allows companies to apply the pooling-of-interests method of accounting only when certain specific criteria are met such that the business combination is essentially regarded as a uniting of interests.

For business combinations that do not meet the uniting of interests criteria, the business combination is considered to be an acquisition and the purchase method of accounting is required. This standard also prescribes the accounting for combinations of entities under common control and for joint ventures.

In December 2008, the ASBJ issued a revised accounting standard for business combinations, ASBJ Statement No. 21, "Accounting Standard for Business Combinations." Major accounting changes under the revised accounting standard are as follows:

(1) The revised standard requires accounting for business combinations only by the purchase method. As a result, the pooling-of-interests method of accounting is no longer allowed.

(2) The previous accounting standard required the research and development costs to be charged to income as incurred. Under the revised standard, in-process research and development costs (IPR&D) acquired in the business combination are capitalized as an intangible asset.

(3) The previous accounting standard provided for a bargain purchase gain (negative goodwill) to be systematically amortized over a period not exceeding 20 years. Under the revised standard, the acquirer recognizes the bargain purchase gain in profit or loss immediately on the acquisition date after reassessing and confirming that all of the assets acquired and all of the liabilities assumed have been identified after a review of the procedures used in the purchase allocation.

The Company applied the revised standard to business combinations undertaken on or after April 1, 2010.

d. ***Cash Equivalents*** — Cash equivalents are short-term investments that are readily convertible into cash and that are exposed to insignificant risk of changes in value.

Cash equivalents include time deposits, all of which mature within three months from the date of acquisition.

e. ***Inventories*** — Inventories are measured at cost determined by the specific identification method and stated at the lower of cost or net selling value.

f. ***Investment Securities*** — Investment securities are classified and accounted for, depending on management's intent, as follows: (1) trading securities, which are held for the purpose of earning capital gains in the near term, are reported at fair value, and the related unrealized gains and losses are included in earnings, (2) held to maturity debt securities, for which there is the positive intent and ability to hold to maturity, are reported at amortized cost, and (3) available for sale securities, which are not classified as either of the aforementioned securities, are reported at fair value, with unrealized gains and losses, net of applicable taxes, reported in a separate component of equity. Cost of available-for-sale securities sold is determined by the moving average method.

Non-marketable available-for-sale securities are stated at cost determined by the moving average method.

For other-than-temporary declines in fair value, investment securities are reduced to net realizable value by a charge to income.

g. ***Property and Equipment*** — Property and equipment other than lease assets are stated at cost. Depreciation is principally computed by the declining balance method based on the estimated useful lives of the assets, while the straight-line method is applied to certain buildings. The range of useful lives is principally from 7 to 50 years for buildings and structures, and from 2 to 15 years for furniture and fixtures.

h. ***Long-lived Assets*** — The Group reviews its long-lived assets for impairment whenever events or changes in circumstance indicate the carrying amount of an asset or asset group may not be recoverable. An impairment loss would be recognized if the carrying amount of an asset or asset group exceeds the sum of the undiscounted future cash flows expected to result from the continued use and eventual disposition of the asset or asset group. The impairment loss would be measured as the amount by which the carrying amount of the asset exceeds its recoverable amount, which is the higher of the discounted cash flows from the continued use and eventual disposition of the asset or the net selling price at disposition.

i. ***Leases*** — Lease assets under finance lease transactions that are not deemed to transfer ownership of the leased property to the lessee are capitalized and depreciated by the straight-line method over their respective lease term with zero residual value, except for leases that commenced prior to April 1, 2008, which are accounted for as operating leases.

j. ***Land Revaluation*** — Under the "Law of Land Revaluation," the Company elected a one-time revaluation of its own use land to a value based on real estate appraisal information as of March 31, 2000. The resulting land revaluation difference represents an unrealized devaluation of land and is stated, net of income taxes, as a component of equity. Continuous readjustment is not permitted unless the land value subsequently declines significantly such that the amount of the decline in value should be removed from the land revaluation difference account.

As of March 31, 2012 and 2011, the carrying amount of the land after the one-time revaluation exceeded the market value by ¥1,559 million ($19,015 thousand) and ¥1,515 million, respectively.

k. ***Retirement and Pension Plan*** — The Company and certain subsidiaries have unfunded retirement benefit plans. The

Company also has a contributory funded pension plan covering substantially all of its employees.

l. *Asset Retirement Obligations* — In March 2008, the ASBJ published ASBJ Statement No. 18 "Accounting Standard for Asset Retirement Obligations" and ASBJ Guidance No.21 "Guidance on Accounting Standard for Asset Retirement Obligations". Under this accounting standard, an asset retirement obligation is defined as a legal obligation imposed either by law or contract that results from the acquisition, construction, development, and the normal operation of a tangible fixed asset and is associated with the retirement of such tangible fixed asset.

The asset retirement obligation is recognized as the sum of the discounted cash flows required for the future asset retirement and is recorded in the period in which the obligation is incurred if a reasonable estimate can be made. If a reasonable estimate of the asset retirement obligation cannot be made in the period the asset retirement obligation is incurred, the liability should be recognized when a reasonable estimate of asset retirement obligation can be made. Upon initial recognition of a liability for an asset retirement obligation, an asset retirement cost is capitalized by increasing the carrying amount of the related fixed asset by the amount of the liability. The asset retirement cost is subsequently allocated to expense through depreciation over the remaining useful life of the asset. Over time, the liability is accreted to its present value each period. Any subsequent revisions to the timing or the amount of the original estimate of undiscounted cash flows are reflected as an increase or a decrease in the carrying amount of the liability and the capitalized amount of the related asset retirement cost.

m. *Stock Options* — In December 2005, the ASBJ issued ASBJ Statement No. 8, "Accounting Standard for Stock Options" and related guidance. The new standard and guidance are applicable to stock options newly granted on and after May 1, 2006. This standard requires companies to recognize compensation expense for employee stock options based on the fair value at the date of grant and over the vesting period as consideration for receiving goods or services. The standard also requires companies to account for stock options granted to non employees based on the fair value of either the stock option or the goods or services received. In the balance sheet, the stock option is presented as a stock acquisition right as a separate component of equity until exercised.

The standard covers equity-settled, share-based payment transactions, but does not cover cash-settled, share-based payment transactions. In addition, the standard allows unlisted companies to measure options at their intrinsic value if they cannot reliably estimate fair value.

n. *Bonuses to Employees* — To prepare for the payment of employees' bonuses, a provision is made based on the estimated amounts.

o. *Bonuses to Directors and Corporate Auditors* — To prepare for the payment of directors' and corporate auditors' bonuses, a provision is made based on the estimated amounts considering the operating results at the end of fiscal year.

p. *Income Taxes* — The provision for current income taxes is computed based on the pretax income included in the consolidated statements of income. The asset and liability approach is used to recognize deferred tax assets and liabilities for the expected future tax consequences of temporary differences between the carrying amounts and the tax basis of assets and liabilities. Deferred taxes are measured by applying currently enacted tax laws to the temporary differences.

q. *Foreign Currency Transactions* — All short- and long-term monetary receivables and payables denominated in foreign currencies are translated into Japanese yen at the current exchange rates at the consolidated balance sheet date. The foreign exchange gains and losses from translation are recognized in the consolidated statements of income to the extent that they are not hedged by foreign exchange forward contracts.

r. *Foreign Currency Financial Statements* — The balance sheet accounts of the consolidated foreign subsidiaries are translated into Japanese yen at the current exchange rate as of the consolidated balance sheet date except for equity, which is translated at the historical rate. Differences arising from such translation were shown as "foreign currency translation adjustments" under accumulated other comprehensive income in a separate component of equity.
Revenue and expense accounts of consolidated foreign subsidiaries are translated into yen at the average exchange rate.

s. *Per Share Information* — Basic net income per share is computed by dividing net income available to common shareholders by the weighted-average number of common shares outstanding for the period, retroactively adjusted for stock splits.

Diluted net income per share reflects the potential dilution that could occur if securities were exercised or converted into common stock. Diluted net income per share of common stock assumes full conversion of the outstanding convertible notes and bonds at the beginning of the year (or at the time of issuance, if later) with an applicable adjustment for related interest expense, net of tax, and full exercise of outstanding warrants.

Cash dividends per share presented in the accompanying consolidated statements of income are dividends applicable to the respective years, including dividends to be paid after the end of the years.

t. Accounting Changes and Error Corrections — In December 2009, the ASBJ issued ASBJ Statement No. 24 "Accounting Standard for Accounting Changes and Error Corrections" and ASBJ Guidance No. 24 "Guidance on Accounting Standard for Accounting Changes and Error Corrections." Accounting treatments under this standard and guidance are as follows:

(1) Changes in Accounting Policies:
When a new accounting policy is applied with revision of accounting standards, a new policy is applied retrospectively unless the revised accounting standards include specific transitional provisions. When the revised accounting standards include specific transitional provisions, an entity shall comply with the specific transitional provisions.

(2) Changes in Presentations
When the presentation of financial statements is changed, prior-period financial statements are reclassified in accordance with the new presentation.

(3) Changes in Accounting Estimates
A change in an accounting estimate is accounted for in the period of the change if the change affects that period only, and is accounted for prospectively if the change affects both the period of the change and future periods.

(4) Corrections of Prior-Period Errors
When an error in prior-period financial statements is discovered, those statements are restated.

The Company applied this accounting standard and the guidance to accounting changes and corrections of prior-period errors, which were made from the beginning of the fiscal year that began on or after April 1, 2011.

3. INVESTMENT SECURITIES

Investment securities as of March 31, 2012 and 2011, consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2012	2011	**2012**
Investment securities:			
Equity securities	**¥275**	¥268	**$3,357**
Other	**51**	44	**613**
Total	**¥326**	¥312	**$3,970**

The costs and aggregate fair values of investment securities as of March 31, 2012 and 2011, were as follows:

	Millions of Yen			
March 31, 2012	Cost	Unrealized Gains	Unrealized Losses	Fair Value
Available for sale:				
Equity securities	**¥190**	**¥23**	**¥(3)**	**¥210**

	Millions of Yen			
March 31, 2011	Cost	Unrealized Gains	Unrealized Losses	Fair Value
Available for sale:				
Equity securities	¥211	¥18	¥(25)	¥204

	Thousands of U.S. Dollars			
March 31, 2012	Cost	Unrealized Gains	Unrealized Losses	Fair Value
Available for sale:				
Equity securities	**$2,312**	**$282**	**$(28)**	**$2,566**

Available-for-sale securities whose fair value is not readily determinable as of March 31, 2012 and 2011, were as follows:

	Carrying Amount		
	Millions of Yen		Thousands of U.S. Dollars
	2012	2011	**2012**
Equity securities	**¥65**	¥64	**$791**
Other	**51**	44	**613**
Total	**¥116**	¥108	**$1,404**

Proceeds from sales of available-for-sale securities for the year ended March 31, 2011, were ¥158 million. Gross realized gains and losses on these sales, computed on the moving average cost basis, were ¥158 million and nil, respectively, for the year ended March 31, 2011.

There were no available-for-sale securities sold for the year ended March 31, 2012.

The impairment loss on available-for-sale equity securities for the year ended March 31, 2011, was as follows:

	Millions of Yen
	2011
Equity securities with fair value	¥21

There was no impairment loss recorded on available-for-sale equity securities for the year ended March 31, 2012.

4. FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES

(1) Group policy for financial instruments

The Group is fully self-financed. Temporary excess funds are invested in low-risk financial instruments, such as short-term bank deposits.

(2) Nature and extent of risks arising from financial instruments

Receivables, such as trade notes and accounts, are exposed to customer credit risk. Investments securities mainly consist of securities of companies with which a business relationship has been established or a business and capital tie-up has been formed. These are exposed to market fluctuation risk. Payables, such as trade accounts, are mostly due within one year.

(3) Risk management for financial instruments

Credit risk (risk of default by the counterparties) management

The Group manages its credit risk from receivables following the sales management rules, which include examining customers' credit conditions. The respective departments monitor the customers' credit conditions periodically and manage the due date and balance per customer to identify and mitigate the default risk of customers at an early stage. The maximum credit risk exposure of financial assets is limited to their carrying amounts as of March 31, 2012.

Market risk (risk of foreign currency fluctuations and interest rate) management

For investment securities, the Group regularly reviews the fair value and issuers' financial condition and adjusts the Group's portfolio on an ongoing basis considering the business relationship with counterparties.

Liquidity risk (risk of default in payment at the due dates) management

The Group prepares and updates its cash management plans appropriately based on the reports from each department and manages its liquidity risk by maintaining adequate level of working capital equivalent to two months' consolidated sales volume considering investment proposals.

(4) Fair values of financial instruments

Fair values of financial instruments are based on quoted prices in active markets.

Fair value of financial instruments:

	Millions of Yen		
March 31, 2012	Carrying amount	Fair value	Unrealized gain/loss
Cash and cash equivalents	**¥26,687**	**¥26,687**	
Notes and accounts receivable	**10,675**	**10,675**	
Investment securities:			
Available-for-sale equity securities	**210**	**210**	
Total assets	**¥37,572**	**¥37,572**	
Trade accounts payable	**¥151**	**¥151**	
Income taxes payable	**1,733**	**1,733**	
Accrued consumption taxes (Current liabilities—other)	**687**	**687**	
Total liabilities	**¥2,571**	**¥2,571**	

	Millions of Yen		
March 31, 2011	Carrying amount	Fair value	Unrealized gain/loss
Cash and cash equivalents	¥23,999	¥23,999	
Notes and accounts receivable	10,246	10,246	
Investment securities:			
Available-for-sale equity securities	204	204	
Total assets	¥34,449	¥34,449	
Trade accounts payable	¥168	¥168	
Income taxes payable	1,732	1,732	
Accrued consumption taxes (Current liabilities—other)	849	849	
Total liabilities	¥2,749	¥2,749	

	Thousands of U.S. Dollars		
March 31, 2012	Carrying amount	Fair value	Unrealized gain/loss
Cash and cash equivalents	**$325,446**	**$325,446**	
Notes and accounts receivable	**130,189**	**130,189**	
Investment securities:			
Available-for-sale equity securities	**2,566**	**2,566**	
Total assets	**$458,201**	**$458,201**	
Trade accounts payable	**$1,838**	**$1,838**	
Income taxes payable	**21,136**	**21,136**	
Accrued consumption taxes (Current liabilities—other)	**8,385**	**8,385**	
Total liabilities	**$31,359**	**$31,359**	

Unlisted securities and others whose fair values cannot be reliably determined amounted to ¥116 million ($1,404 thousand) and ¥108 million as of March 31, 2012 and 2011, respectively, and were not included in the above tables.

Valuation methods for fair value of financial instruments and information on securities were as follows:

(i) Cash and cash equivalents and (ii) Notes and accounts receivable

The carrying values of cash and cash equivalents and notes and accounts receivable approximate fair value because of their short maturities.

(iii) Investment securities

The fair values of investment securities are measured at the quoted market price of the stock exchange for the equity instruments. Information on the fair value of investment securities by classification is included in Note 3.

(iv) Trade accounts payable, (v) Income taxes payable, and (vi) Accrued consumption taxes (Current liabilities—other)

The carrying values of trade accounts payable, income taxes payable, and accrued consumption taxes approximate fair value because of their short maturities.

Maturity analysis for financial assets with contractual maturities subsequent to March 31, 2012 and 2011, was as follows:

	Millions of Yen			
March 31, 2012	Due in one year or less	Due after one year through five years	Due after five years through ten years	Due after ten years
Cash and cash equivalents	**¥26,687**			
Notes and accounts receivable	**10,675**			
Total	**¥37,362**			

	Millions of Yen			
March 31, 2011	Due in one year or less	Due after one year through five years	Due after five years through ten years	Due after ten years
Cash and cash equivalents	¥23,999			
Notes and accounts receivable	10,246			
Total	¥34,245			

	Thousands of U.S. Dollars			
March 31, 2012	Due in one year or less	Due after one year through five years	Due after five years through ten years	Due after ten years
Cash and cash equivalents	**$325,446**			
Notes and accounts receivable	**130,189**			
Total	**$455,635**			

5. INVENTORIES

Inventories at March 31, 2012 and 2011, consisted mainly of work in process related to engineering solutions.

6. LONG-TERM DEBT

The Company had loan commitments from five banks and one insurance company in an aggregate amount of ¥3,000 million ($36,585 thousand) as of March 31, 2012 and 2011. There were no loans utilized and outstanding under these arrangements as of March 31, 2012 and 2011.

7. RETIREMENT AND PENSION PLAN

The Company and certain subsidiaries have severance payment plans for employees, which include a contributory funded defined benefit pension plan for the Company. Under most circumstances, employees terminating their employment are entitled to retirement benefits determined based on the rate of pay at the time of termination, years of service, and certain other factors. Such retirement benefits are made in the form of a lump-sum severance payment from the Company or from certain consolidated subsidiaries and annuity payments from a trustee. Employees are entitled to larger payments if the termination is involuntary, by retirement at the mandatory retirement age, by death, or by voluntary retirement at certain specific ages prior to the mandatory retirement age.

On April 1, 2008, according to the enactment of the Defined Contribution Pension Plan Law, the Company implemented a defined contribution pension plan and a supplemental severance plan by which the former qualified contributory funded defined benefit pension plan was terminated.

The liability for employees' retirement benefits as of March 31, 2012 and 2011, consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2012	2011	**2012**
Projected benefit obligation	**¥9,723**	¥9,140	**$118,578**
Fair value of plan assets	**(93)**	(82)	**(1,140)**
Unrecognized actuarial loss	**(551)**	(606)	**(6,715)**
Net liability	**¥9,079**	¥8,452	**$110,723**

The components of net periodic retirement benefit costs for the years ended March 31, 2012 and 2011, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2012	2011	**2012**
Service cost	**¥634**	¥636	**$7,728**
Interest cost	**180**	168	**2,201**
Recognized actuarial loss	**138**	161	**1,685**
Contribution in defined contribution pension plan	**778**	805	**9,484**
Net periodic benefit costs	**¥1,730**	¥1,770	**$21,098**

Assumptions used for the years ended March 31, 2012 and 2011, were set forth as follows:

	2012	2011
Discount rate	**2.0%**	**2.0%**
Amortization period of prior service cost	**10 years**	**10 years**
Recognition period of actuarial gain/loss	**10 years**	**10 years**

8. EQUITY

Japanese companies are subject to the Companies Act of Japan (the "Companies Act"), which reformed and replaced the Commercial Code of Japan. The significant provisions in the Companies Act that affect financial and accounting matters are summarized below:

a. Dividends

Under the Companies Act, companies can pay dividends at any time during the fiscal year in addition to the year-end dividend upon resolution at the shareholders meeting. For companies that meet certain criteria such as, (1) having the board of directors, (2) having independent auditors, (3) having the Board of Corporate Auditors, and (4) the term of service of the directors is prescribed as one year rather than two years of normal term by its articles of incorporation, the board of directors may declare dividends (except for dividends in kind) at any time during the fiscal year if the company has prescribed so in its articles of incorporation. The Company does not meet all the above criteria.

The Companies Act permits companies to distribute dividends in kind (non cash assets) to shareholders subject to a certain limitation and additional requirements.

Semiannual interim dividends may also be paid once a year, upon resolution by the board of directors if the articles of incorporation of the company so stipulate. The Companies Act provides certain limitations on the amounts available for dividends or the purchase of treasury stock. The limitation is defined as the amount available for distribution to the shareholders, but the amount of net assets after dividends must be maintained at no less than ¥3 million.

b. Increases/Decreases and Transfer of Common Stock, Reserve, and Surplus

The Companies Act requires that an amount equal to 10% of dividends must be appropriated as a legal reserve (a component of retained earnings) or as additional paid-in capital (a component of capital surplus) depending on the equity account charged upon the payment of such dividends until the total of aggregate amount of legal reserve and additional paid-in capital equals 25% of the common stock. Under the Companies Act, the total amount of additional paid-in capital and legal reserve may be reversed without limitation. The Companies Act also provides that common stock, legal reserve, additional paid-in capital, other capital surplus, and retained earnings can be transferred among the accounts under certain conditions upon resolution of the shareholders.

c. Treasury Stock and Treasury Stock Acquisition Rights

The Companies Act also provides for companies to purchase treasury stock and dispose of such treasury stock by resolution of the board of directors. The amount of treasury stock purchased cannot exceed the amount available for distribution to the shareholders, which is determined by specific formula. Under the Companies Act, stock acquisition rights are presented as a separate component of equity. The Companies Act also provides that companies can purchase both treasury stock acquisition rights and treasury stock. Such treasury stock acquisition rights are presented as a separate component of equity or deducted directly from stock acquisition rights.

9. STOCK OPTION PLANS

The stock options outstanding as of March 31, 2012, were as follows:

Stock Option	Persons Granted	Number of Options Granted	Date of Approval	Exercise Price	Exercise Period
2002 Stock Option	Six directors, six directors of subsidiaries, and 105 key employees of the Group	129,000	June 25, 2002	¥3,066 ($37)	From June 26, 2004 to June 25, 2012

The stock option activity was as follows:

For the Year Ended March 31, 2011	2001 Stock Option	2002 Stock Option
	Shares	
Non-vested:		
March 31, 2010 — outstanding		
Canceled		
Vested		
March 31, 2011 — outstanding		
Vested:		
March 31, 2010 — outstanding	1,000	1,000
Vested		
Exercised		
Canceled		
March 31, 2011 — outstanding	1,000	1,000
Exercise price	¥4,280	¥3,066
Average stock price at exercise		

For the Year Ended March 31, 2012	2001 Stock Option	2002 Stock Option
	Shares	
Non-vested:		
March 31, 2011—outstanding		
Canceled		
Vested		
March 31, 2012—outstanding		
Vested:		
March 31, 2011—outstanding	1,000	1,000
Vested		
Exercised		
Canceled	1,000	
March 31, 2012 — outstanding		1,000
Exercise price	¥4,280 ($52)	¥3,066 ($37)
Average stock price at exercise		

The balance of treasury stock recorded in equity as of March 31, 2012 and 2011, included treasury stock purchased for the purpose of reissuance in connection with the expected stock options exercised under the above plans.

The Company has granted the above stock options on seven occasions before May 1, 2006, as an incentive to improve performance to which ASBJ Statement No. 8, "Accounting Standard for Stock Options" and related guidance are not applicable.

10. INCOME TAXES

The Company and its domestic subsidiaries are subject to Japanese national and local income taxes, which, in the aggregate, resulted in a normal effective statutory tax rate of approximately 40% for the years ended March 31, 2012 and 2011.

The tax effects of significant temporary differences that resulted in deferred tax assets and liabilities as of March 31, 2012 and 2011, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2012	2011	**2012**
Deferred tax assets:			
Accrued bonuses	**¥1,741**	¥1,498	**$21,227**
Accrued social security on accrued bonuses	**237**	372	**2,892**
Retirement benefits	**3,223**	3,381	**39,307**
Enterprise taxes payable	**129**	137	**1,578**
Impairment loss	**4**	11	**45**
Write-down of investment securities	**30**	34	**372**
Land revaluation surplus	**560**	631	**6,827**
Tax loss carryforwards	**2,312**	2,787	**28,198**
Other	**168**	201	**2,041**
Valuation allowance	**(3,036)**	(3,626)	**(37,018)**
Total	**5,368**	5,426	**65,469**
Deferred tax liabilities—Unrealized gain on available-for-sale securities	**8**	6	**94**
Land revaluation difference	**37**	42	**456**
Other	**1**		**13**
Total	**46**	48	**563**
Net deferred tax assets	**¥5,322**	¥5,378	**$64,906**

A reconciliation between the normal effective statutory tax rate and the actual effective tax rate reflected in the accompanying consolidated statements of income for the years ended March 31, 2012 and 2011, is as follows:

	2012	2011
Normal effective statutory tax rate	**40.0%**	40.0%
Expenses not deductible for income tax purposes	**0.6**	
Revenues not recognized for income tax purposes		(0.7)
Per capita tax	**0.7**	2.2
Valuation allowance	**(2.2)**	(20.3)
Reduction of deferred tax assets due to income tax rates change	**9.4**	
Other—net	**0.5**	0.1
Actual effective tax rate	**49.0%**	21.3%

Following the promulgation of the "Act for Partial Amendment of the Income Tax Act, etc., for the Purpose of Creating a Taxation System Responding to Changes in Economic and Social Structures" (Act No. 114, 2011) and the "Act on Special Measures for Securing Financial Resources Necessary to Implement Measures for Reconstruction following the Great East Japan Earthquake" (Act No. 117, 2011) on December 2, 2011, the corporate income tax rate will be lowered and the restoration surtax will be imposed from fiscal years beginning on or after April 1, 2012. Accordingly, a normal effective statutory tax rate to calculate deferred tax assets or liabilities, which used to be 40.0%, will vary in accordance with the years the temporary differences will be realized:

From the year ended March 31, 2013, to the year ended March 31, 2015: 38.0%

From the year ended March 31, 2016, and after: 35.5%

As a result of this change, net deferred tax assets decreased by ¥522 million ($6,365 thousand), and income taxes – deferred and unrealized gain on available-for-sale securities increased by ¥521 million ($6,353 thousand), ¥1 million ($12 thousand), respectively. Also, deferred tax liabilities for land revaluation decreased by ¥5 million ($58 thousand) and land revaluation difference increased by the same amount.

As of March 31, 2012, the Company and certain subsidiaries have tax loss carryforwards aggregating approximately ¥6,461 million ($78,798 thousand), which are available to be offset against taxable income of the Company and such subsidiaries in future years. These tax loss carryforwards, if not utilized, will expire as follows:

Year Ending March 31	Millions of Yen	Thousands of U.S. Dollars
2013	¥273	$3,335
2014	4,436	54,101
2015	528	6,435
2016	63	766
2017 and thereafter	1,161	14,161
Total	¥6,461	$78,798

11. LEASES

The Group leases certain buildings and structures, furniture, and fixtures.

Finance lease transactions that are not deemed to transfer ownership of leased properties are capitalized as on ordinary purchase lease, except for those that commenced prior to April 1, 2008, and are accounted for as operating leases.

Total rental expense, including lease payments under finance leases that do not transfer ownership, with lease commencement prior to April 1, 2008, for the years ended March 31, 2012 and 2011, was ¥2 million ($28 thousand) and ¥10 million, respectively.

Pro forma information of leased property, such as acquisition cost, accumulated depreciation, accumulated impairment loss, obligations under finance lease, depreciation expense, interest expense and other information under finance leases that do not transfer ownership, with lease commencement prior to April 1, 2008, on an "as if capitalized" basis for the years ended March 31, 2012 and 2011, was as follows:

	Millions of Yen				
	Furniture and Fixtures	Total	Buildings and Structures	Furniture and Fixtures	Total
Pro forma information	**2012**		2011		
Acquisition cost	**¥7**	**¥7**	¥45	¥7	¥52
Accumulated depreciation	**6**	**6**	44	5	49
Net leased property	**¥1**	**¥1**	¥1	¥2	¥3

	Thousands of U.S. Dollars	
	Furniture and Fixtures	Total
Pro forma information	**2012**	
Acquisition cost	**$80**	**$80**
Accumulated depreciation	**76**	**76**
Net leased property	**$4**	**$4**

Obligations under finance leases were as follows:

Pro forma information	Millions of Yen 2012	Millions of Yen 2011	Thousands of U.S. Dollars 2012
Due within one year	**¥1**	¥2	**$4**
Due after one year		1	
Total	**¥1**	¥3	**$4**

Depreciation expense, which was not reflected in the accompanying consolidated statements of income computed by the straight-line method, was ¥2 million ($28 thousand) and ¥10 million for the years ended March 31, 2012 and 2011, respectively.

12. NET INCOME PER SHARE

Basic net income per share ("EPS") for the years ended March 31, 2012 and 2011, was as follows:

	Millions of Yen	Thousands of Shares	Yen	U.S. Dollars
Year Ended March 31, 2012	Net Income	Weighted-average Shares	EPS	
Basic EPS — Net income available to common shareholders	**¥2,827**	**33,088**	**¥85.45**	**$1.04**

	Millions of Yen	Thousands of Shares	Yen
Year Ended March 31, 2011	Net Income	Weighted-average Shares	EPS
Basic EPS — Net income available to common shareholders	¥3,690	33,148	¥111.33

Diluted EPS is not disclosed, as there are no dilutive securities for the years ended March 31, 2012 and 2011.

13. COMPREHENSIVE INCOME

The components of other comprehensive income for the year ended March 31, 2012, is as follows:

	Millions of Yen	Thousands of U.S. Dollars
	2012	
Unrealized gain (loss) on available-for-sale securities		
Gains arising during the year	**¥6**	**$77**
Amount before income tax effect	**6**	**77**
Income tax effects	**(2)**	**(23)**
Total	**¥4**	**$54**
Land revaluation difference		
Income tax effects	**¥5**	**$58**
Total	**¥5**	**$58**
Foreign currency translation adjustments		
Adjustments arising during the year	**¥(2)**	**$(30)**
Reclassification adjustments' profit or loss	**1**	**14**
Amount before income tax effect	**(1)**	**(16)**
Total	**¥(1)**	**$(16)**
Total other comprehensive income	**¥8**	**$96**

The corresponding information for the year ended March 31, 2011, was not required under the accounting standard for presentation of comprehensive income as an exemption for the first year of adopting that standard and not disclosed herein.

14. SEGMENT INFORMATION

In March 2008, the ASBJ revised ASBJ Statement No. 17 "Accounting Standard for Segment Information Disclosures" and issued ASBJ Guidance No. 20 "Guidance on Accounting Standard for Segment Information Disclosures." Under the standard and guidance, an entity is required to report financial and descriptive information about its reportable segments. Reportable segments are operating segments or aggregations of operating segments that meet specified criteria.

Operating segments are components of an entity about which separate financial information is available and such information is evaluated regularly by the chief operating decision maker in deciding how to allocate resources and in assessing performance. Generally, segment information is required to be reported on the same basis as is used internally for evaluating operating segment performance and deciding how to allocate resources to operating segments.

a. Description of reportable segments

Reportable segments are part of the Group whose financial data can be obtained separately. The board of directors reviews the financial data periodically to evaluate earnings and determine how to allocate business resources.

The Group primarily operates in the temporary engineers staffing business as their core business. The Group, based on the nature of the business and similarities of the market, consists of four segments, "Outsourcing," "Engineering Solutions," "Global," and "Placement."

"Outsourcing" provides temporary staffing service mainly focusing on temporary engineers staffing business.

"Engineering Solutions" consists of technology services, including analytical technology, prototyping, and manufacturing of mold and technological support for printed-circuit boards.

"Global" consists of vocational training business and job placement business in China.

"Placement" consists of the job placement business specializing in engineers, and the information portal site business.
(Note) Segment name "Career Support" was changed to "Placement" from the year ended March 31, 2012. This change did not have any impact on the segment information other than the name.

b. Method of measurement for net sales, profit (loss), assets, and other items for reportable segment

The accounting policies of each reportable segment are consistent to those disclosed in Note 2. "Summary of Significant Accounting Policies." Income by reportable segments is based on operating income. Intersegment transactions are based on prevailing market price.

c. Information of net sales, profit (loss), assets, and other items

	Millions of Yen				
	Reportable segments				
	Outsourcing	Engineering Solutions	Global	Placement	Total
	2012				
Net sales:					
Sales to external customers	**¥63,774**	**¥2,581**	**¥28**	**¥572**	**¥66,955**
Intersegment sales or transfers	**53**	**425**		**27**	**505**
Total net sales	**63,827**	**3,006**	**28**	**599**	**67,460**
Segment profit (loss)	**¥5,225**	**¥142**	**¥(71)**	**¥149**	**¥5,445**
Segment assets	**¥55,792**	**¥1,057**	**¥128**	**¥735**	**¥57,712**
Other items:					
Depreciation and amortization	**¥1,214**	**¥58**		**¥1**	**¥1,273**
Increase in property, equipment, and intangible assets	**235**	**24**		**5**	**264**

	Millions of Yen				
	Reportable segments				
	Outsourcing	Engineering Solutions	Global	Placement	Total
	2011				
Net sales:					
Sales to external customers	¥58,630	¥2,642	¥78	¥441	¥61,791
Intersegment sales or transfers	46	491		4	541
Total net sales	58,676	3,133	78	445	62,332
Segment profit (loss)	¥2,368	¥209	¥(65)	¥102	¥2,614
Segment assets	¥53,937	¥1,303	¥64	¥3,707	¥59,011
Other items:					
Depreciation and amortization	¥1,270	¥59		¥4	¥1,333
Increase in property, equipment, and intangible assets	343	33		2	378

	Thousands of U.S. Dollars				
	Reportable segments				
	Outsourcing	Engineering Solutions	Global	Placement	Total
	2012				
Net sales:					
Sales to external customers	**$777,729**	**$31,480**	**$339**	**$6,980**	**$816,528**
Intersegment sales or transfers	**654**	**5,173**		**327**	**6,154**
Total net sales	**778,383**	**36,653**	**339**	**7,307**	**822,682**
Segment profit (loss)	**$63,723**	**$1,731**	**$(866)**	**$1,812**	**$66,400**
Segment assets	**$680,388**	**$12,897**	**$1,566**	**$8,957**	**$703,808**
Other items:					
Depreciation and amortization	**$14,801**	**$718**		**$9**	**$15,528**
Increase in property, equipment, and intangible assets	**2,869**	**288**		**62**	**3,219**

d. Differences between total of each reportable segment amounts and the amounts shown in the accompanying consolidated financial statements

Net sales

	Millions of Yen		Thousands of U.S. Dollars
	2012	2011	**2012**
Total reportable segments	**¥67,460**	¥62,332	**$822,682**
Intersegment eliminations	**(505)**	(541)	**(6,154)**
Net sales on consolidated statements of income	**¥66,955**	¥61,791	**$816,528**

Operating income

	Millions of Yen		Thousands of U.S. Dollars
	2012	2011	**2012**
Total reportable segments	**¥5,445**	¥2,614	**$66,400**
Intersegment eliminations	**5**	6	**67**
Operating income on consolidated statements of income	**¥5,450**	¥2,620	**$66,467**

Total assets

	Millions of Yen		Thousands of U.S. Dollars
	2012	2011	**2012**
Total reportable segments	**¥57,712**	¥59,011	**$703,808**
Intersegment eliminations	**(153)**	(3,297)	**(1,869)**
Total assets on consolidated balance sheets	**¥57,559**	¥55,714	**$701,939**

Other items

	Millions of Yen			Thousands of U.S. Dollars		
	Total reportable segment	Adjustments	Consolidated	Total reportable segment	Adjustments	Consolidated
	2012					
Depreciation and amortization	**¥1,273**		**¥1,273**	**$15,528**		**$15,528**
Increase in property, equipment, and intangible assets	**¥264**		**¥264**	**$3,219**		**$3,219**

Other items

	Millions of Yen		
	Total reportable segment	Adjustments	Consolidated
	2011		
Depreciation and amortization	¥1,333		¥1,333
Increase in property, equipment, and intangible assets	¥378		¥378

e. Information about products and services

Information about products and services is not disclosed since the classification by products and services is same as the reportable segment. Sales to external customers in "Outsourcing" segment make up more than 90% of net sales in the consolidated statements of income.

f. Information by geographical areas

(1) Net sales

Information about net sales by geographical areas is not disclosed since sales to external customers in Japan make up more than 90% of net sales in the consolidated statements of income.

(2) Property and equipment

Information about property and equipment by geographical areas is not disclosed since property and equipment in Japan make up more than 90% of property and equipment in the consolidated balance sheets.

g. Information about major customers

Information about major customers is not disclosed since there are no external customers making up more than 10% of net sales in the consolidated statements of income.

h. Information about impairment loss by reportable segment

	Millions of Yen					
	Reportable segment				Corporate and Eliminations	Total
	Outsourcing	Engineering Solutions	Global	Placement		
	2011					
Impairment loss	¥7			¥9		¥16

None are applicable for the year ended March 31, 2012.

i. Information about amortization of goodwill by reportable segment

	Millions of Yen					
	Reportable segment				Corporate and Eliminations	Total
	Outsourcing	Engineering Solutions	Global	Placement		
	2012					
Amortization of goodwill		**¥2**				**¥2**

	Thousands of U.S. Dollars					
	Reportable segment				Corporate and Eliminations	Total
	Outsourcing	Engineering Solutions	Global	Placement		
	2012					
Amortization of goodwill		**$20**				**$20**

None are applicable for the year ended March 31, 2011.

15. SUBSEQUENT EVENT

The Company resolved to dissolve BMOA CORPORATION ("BMOA"), a consolidated subsidiary, at the board of directors' meeting held on May 10, 2012. BMOA, which had carried on administration of the outplacement business, was expected to end the business.

Outline of the subsidiary to be dissolved

(1) Name: BMOA CORPORATION

(2) Details of business: Administration of outplacement business

(3) Common stock: ¥8 million ($98 thousand)

(4) Shareholding ratio: The Company, 100%

(5) Schedule: During October 2012, BMOA is scheduled to resolve its dissolution at the extraordinary shareholders' meeting. During January 2013, liquidation is scheduled to be completed.

(6) The expected effects:
No material losses and significant effects on operating activities are expected.

The dissolution of the subsidiary is expected to result in decrease of approximately ¥2.2 billion ($26,829 thousand) in income tax expenses in the consolidated financial statements for the year ending March 31, 2013.

(Note) This expected effect is an estimation based on tax loss carryforwards and scheduled for the dissolution as of June 22, 2012.

Supplemental Non-Consolidated Balance Sheets (Unaudited)

	Millions of Yen		Thousands of U.S. Dollars (Note1)
ASSETS	2012	2011	2012
CURRENT ASSETS:			
Cash and cash equivalents	**¥25,479**	¥22,833	**$310,714**
Notes and accounts receivable:			
Trade notes and accounts	**8,653**	8,248	**105,531**
Subsidiaries	**1**	5	**8**
Allowance for doubtful accounts	**(13)**	(17)	**(155)**
Inventories	**197**	73	**2,406**
Deferred tax assets	**1,818**	1,736	**22,172**
Short-term loans to subsidiaries	**50**	100	**610**
Prepaid expenses and other	**941**	1,254	**11,473**
Total current assets	**37,126**	34,232	**452,759**
PROPERTY AND EQUIPMENT:			
Land	**3,583**	3,583	**43,690**
Buildings and structures	**19,718**	19,679	**240,462**
Furniture and fixtures	**2,242**	2,248	**27,336**
Other	**390**	375	**4,764**
Total	**25,933**	25,885	**316,252**
Accumulated depreciation	**(14,710)**	(14,237)	**(179,388)**
Net property and equipment	**11,223**	11,648	**136,864**
INVESTMENTS AND OTHER ASSETS:			
Investment securities	**323**	310	**3,940**
Investments in and advances to subsidiaries	**1,747**	4,785	**21,308**
Software	**1,174**	1,730	**14,317**
Leasehold deposits	**586**	597	**7,140**
Deferred tax assets	**3,223**	3,379	**39,308**
Other	**103**	91	**1,253**
Total investments and other assets	**7,156**	10,892	**87,266**
TOTAL	**¥55,505**	¥56,772	**$676,889**

Note1: The translations of Japanese yen amounts into U.S. dollar amounts have been made at the rate of ¥82 to $1, the approximate rate of exchange at March 31, 2012.

LIABILITIES AND EQUITY	Millions of Yen 2012	Millions of Yen 2011	Thousands of U.S. Dollars (Note 1) 2012
CURRENT LIABILITIES:			
Income taxes payable	**¥1,431**	¥1,565	**$17,451**
Deposits from subsidiaries	**1,862**	4,739	**22,707**
Accrued expenses	**6,014**	4,857	**73,339**
Other	**1,820**	1,868	**22,205**
Total current liabilities	**11,127**	13,029	**135,702**
LONG-TERM LIABILITIES:			
Liability for retirement benefits	**9,045**	8,416	**110,307**
Deferred tax liabilities for land revaluation	**37**	42	**456**
Allowance for investment loss	**25**		**305**
Other	**67**	108	**808**
Total long-term liabilities	**9,174**	8,566	**111,876**
EQUITY:			
Common stock—authorized, 142,854 thousand shares in 2012 and 2011; issued, 34,700 thousand shares in 2012 and 35,100 thousand shares in 2011	**16,826**	16,826	**205,194**
Capital surplus:			
Additional paid-in capital	**4,210**	4,210	**51,342**
Other capital surplus	**9,133**	10,241	**111,383**
Retained earnings-unappropriated	**11,430**	10,712	**139,394**
Unrealized gain on available-for-sale securities	**13**	8	**154**
Land revaluation difference	**(878)**	(883)	**(10,711)**
Treasury stock—at cost, 1,997 thousand shares in 2012 and 1,975 thousand shares in 2011	**(5,530)**	(5,937)	**(67,445)**
Total equity	**35,204**	35,177	**429,311**
TOTAL	**¥55,505**	¥56,772	**$676,889**

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2012	2011	**2012**
NET SALES	**¥53,189**	¥48,260	**$648,644**
COST OF SALES	**39,988**	38,777	**487,658**
Gross profit	**13,201**	9,483	**160,986**
SELLING, GENERAL AND ADMINISTRATIVE EXPENSES	**8,587**	7,759	**104,723**
Operating income	**4,614**	1,724	**56,263**
OTHER INCOME (EXPENSES):			
Interest and dividend income	**321**	57	**3,917**
Interest expense	**(2)**	(2)	**(26)**
Loss on devaluation of investments in subsidiaries	**(38)**	(84)	**(456)**
Gain (loss) on investments in partnerships	**11**	(19)	**129**
Loss on sale and disposal of property and equipment	**(2)**	(107)	**(25)**
Subsidy income		1,840	
Impairment loss		(7)	
Provision for allowance for doubtful accounts		(7)	
Contribution		(100)	
Loss on adjustment for changes of accounting standard for asset retirement obligations		(65)	
Provision of allowance for investment loss	**(25)**		**(305)**
Other—net	**43**	6	**524**
Other income—net	**308**	1,512	**3,758**
INCOME BEFORE INCOME TAXES	**4,922**	3,236	**60,021**
INCOME TAXES:			
Current	**2,260**	1,567	**27,562**
Deferred	**72**	(472)	**873**
Total income taxes	**2,332**	1,095	**28,435**
NET INCOME	**¥2,590**	¥2,141	**$31,586**

	Yen		U.S. Dollars (Note 1)
	2012	2011	**2012**
PER SHARE OF COMMON STOCK (Notes 2 and 3):			
Basic net income	**¥78.27**	¥64.59	**$0.95**
Cash dividends applicable to the year	**58.50**	27.50	**0.71**

Notes: 1. The translations of Japanese yen amounts into U.S. dollar amounts have been made at the rate of ¥82 to $1, the approximate rate of exchange at March 31, 2012.
2. The computation of net income per share is based on the weighted-average number of shares of common stock outstanding during each year. The weighted-average number of common shares used in the computation of basic net income was 33,088 thousand shares for 2012 and 33,148 thousand shares for 2011.
3. Diluted net income per share for 2012 and 2011 are not presented, since there were no potentially dilutive shares as of March 31, 2012 and 2011.

MEITEC CORPORATION

As of March 31, 2012

Corporate Headquarters

8-5-26, Akasaka, Minato-ku, Tokyo 107-0052, Japan
Tel: +81-3-5413-2600

Registered Corporate Headquarters

2-20-1, Kousei Dori, Nishi-ku, Nagoya, Aichi 451-0075, Japan
Tel: +81-52-532-1811

Establishment

July 17, 1974

Common Stock

Authorized: 142,854,400 shares
Issued: 34,700,000 shares

Shareholders

6,003

Employees (consolidated)

5,822

Lines of Business

Providing engineering services to major Japanese manufacturing companies in the fields of high-technology research and development

Consolidated Subsidiaries

Full-Line Temporary Staffing Business

Meitec Fielders Inc.
Meitec Cast Inc.

Engineering Solutions Business

Apollo Giken Co., Ltd.
Shanghai Apomac Science & Technology
Meitec CAE Corporation

Global Business

Meitec Shanghai
Meitec XiAn TechnoCenter Co., Ltd.
Meitec Chengdu TechnoCenter Co., Ltd.
Meitec Shanghai Human Resources Co., Ltd.

Career Support Business

Meitec Next Corporation
All engineer.jp CORPORATION

Directors, Auditors and Executive Officers

As of July 1, 2012

Directors

Kosuke Nishimoto
CEO, MEITEC Group
Representative Director
President and CEO, COO of MEITEC CORPORATION
Executive officer for the Internal Audit Department, the CSR Department
in charge of Meitec Cast Inc.,
Executive officer for business in China

Hideyo Kokubun
Director
Executive officer for the Recruiting Divisions
in charge of Apollo Giken CO., Ltd

Hiroshi Yoneda
Director
in charge of Meitec Fielders Inc., Meitec Next Corporation

Kiyomasa Nakajima
Director
Executive officer for the Recruiting Divisions
in charge of All engineer.jp CORPORATION

Masato Uemura
Director
Executive officer for the Management Information Department and the Accounting Department

Hidenori Nagasaka
Director
Executive officer for the Business Execution Divisions, the Sales Promotion Department
in charge of Meitec CAE Corporation

Minao Shimizu
Outside Director (Independent Director)

Hiroyuki Kishi
Outside Director (Independent Director)

Auditors

Makoto Fukai
Standing Outside Corporate Auditor (Independent Auditor)

Masatoshi Saito
Outside Corporate Auditor (Independent Auditor)

Hiroshi Watanabe
Outside Corporate Auditor (Independent Auditor)

Executive Officers

Kouichi Nakagawa
Executive officer for the Kanagawa and Shizuoka Area

Jun Samukawa
Executive officer for the Eastern Japan Area

Tetsuya Yabe
Executive officer for the Western Japan Area

Hiroshi Yamada
Executive officer for the Central Japan Area

Keisuke Ito
Executive officer for the Personnel Department

Yusei Hidaka
Executive officer for the Business Operations Management Department

Sonoe Shimizu
Executive officer for the Office of the President, the Corporate Communication Department, the Human Resources Development Department

WEB SITE INFORMATION

Meitec Corporation has developed an Internet Web site to disclose its most current corporate information, including materials on such key management indicators as monthly utilization ratios, as well as financial reports, quarterly reports and performance-adjustment announcements.

MAIN CONTENTS

- Business Performance (monthly utilization ratio of Meitec and Meitec Fielders, and other information)
- Stock Price
- Financial Results and Announcements
- Annual Report

Meitec offers a service that provides registered users of its mailing list with e-mail notification when new information is added to the Company's Web site.

Please see the URL below for details.

URL: http://www.meitec.co.jp

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