MEITEC

THE ENGINEERING OUTSOURCING® COMPANY

MEITEC CORPORATION

ANNUAL REPORT 2002

PROFILE

Based on the concept "Mutual Growth and Prosperity," Meitec Corporation has supported the engineering development of more than 4,000 companies through our Engineering Outsourcing (EO) services in Japan.

Meitec is the leader in the outsourcing industry, and plays a major role as our clients' alternate engineering division and personnel office. And to continue to develop alongside the industrial society, we launched "New VISION 21," our consolidated management plan in April 2001.

As the only EO company listed on the First Section of the Tokyo Stock Exchange, Meitec works to realize mutual growth and prosperity for our shareholders, clients and employees. While drawing on our history of creativity and challenge, we will continue to provide our clients with cutting-edge technologies.

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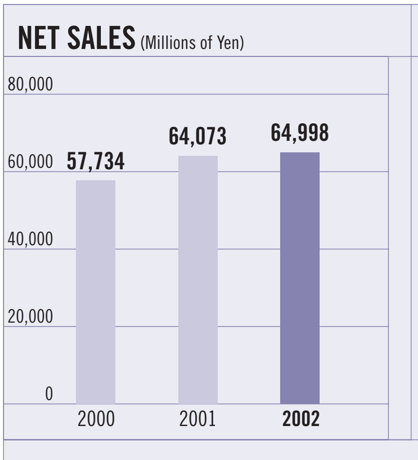
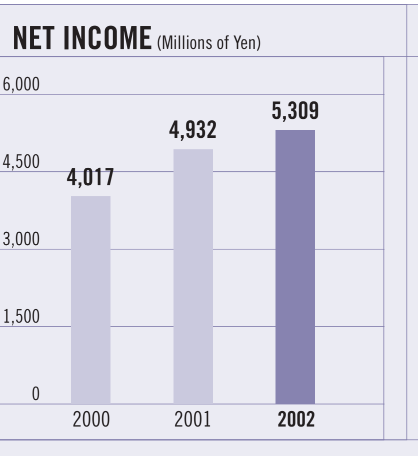
CONSOLIDATED FINANCIAL HIGHLIGHTS

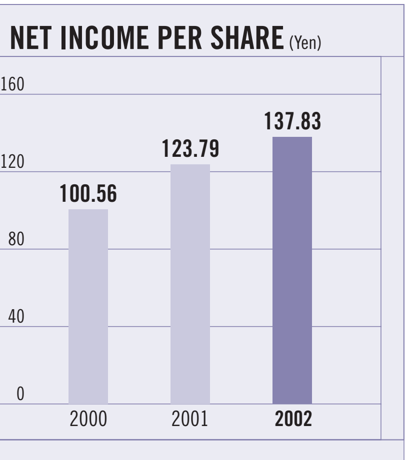
Years ended March 31	Millions of Yen 2002	2001	2000	Thousands of U.S. Dollars (Note 1) 2002
Net Sales	**¥64,998**	¥64,073	¥57,734	**$488,706**
Operating Income	**10,193**	11,299	8,242	**76,639**
Net Income	**5,309**	4,932	4,017	**39,917**
Total Assets	**61,927**	69,778	59,821	**465,617**
Total Shareholders' Equity	**44,877**	49,764	46,940	**337,421**
	Yen			U.S. Dollars
Per Share of Common Stock:				
Shareholders' Equity	**¥1,194.86**	¥1,249.98	¥1,175.47	**$8.98**
Cash Dividend	**42.50**	38.00	23.00	**0.32**
Net Income (Note 2)	**137.83**	123.79	100.56	**1.04**
	%			
Return on Average Equity	**11.20**	10.20	8.74	

Notes: 1. U.S. dollar amounts are translated from Japanese yen, for convenience only, at the rate of ¥133 to $1, the approximate exchange rate prevailing as of March 29, 2002.

2. Net income per share is computed based on the weighted average number of shares outstanding during each year.







I would like to express my sincere appreciation for your continuing support of Meitec Corporation. I am pleased to present our business report for the fiscal year ended March 31, 2002.

In the Japanese economy during the fiscal year under review, the slowdown of the U.S. economy and the collapse of IT bubble led to sluggish consumer spending as well as rapid inventory adjustments throughout industry as a whole. At the same time, the willingness of companies to make capital investment waned sharply. Meitec's principal corporate customers successively carried out large-scale restructuring that included reducing employment and withdrawing from businesses, as economic conditions worsened significantly in the wake of the September 2001 terrorist attacks in the United States. While global economic conditions became increasingly unclear, in manufacturing industries cost competition in global markets intensified and companies adopted increasingly severe approaches to pruning costs in every business field. Moreover, there has been an increasing trend toward strategic approaches that include concentrating management resources in respective areas of strength. Concurrently, there has also been a growing number of companies implementing measures to downsize their operations to an appropriate size, which includes withdrawing from principal fields where competitiveness has been lost, and reviewing high-risk business investments. Accordingly, during the fiscal year under review, many companies successively implemented cost-cutting measures, addressed changes in the overall structure of the market and carried out extensive reviews in all business fields as part of efforts to ensure their survival. Cost-reduction measures, which extended to companies' own employment and wages, were particularly severe and such measures rapidly became evident in the second half of the fiscal year.

As a result of the above factors, consolidated sales in Meitec's Engineering Outsourcing (EO) business and the entire Group's general outsourcing businesses, which posted year-on-year growth of 5.5% in the interim period, declined for the entire fiscal year primarily as a result of a decrease in the engineer's utilization ratio accompanying the conclusion of contracts in the second half of the fiscal year. In response to worsening market conditions, Meitec implemented marketing strategies that included expanding the number of departments handling transactions with principal customers. By business field, on a non-consolidated basis Meitec recorded increased sales in the growth sectors of electronics, semiconductors and the core automotive sector. However, sales in other sectors declined. During the fiscal year under review, the engineer's utilization ratio on a non-consolidated basis was 95.0%, lower than the initially forecast 95.9%.

As a result of these business activities, the Meitec Group's key divisions reported a 1.1% increase in consolidated net sales to ¥62,640 million (US$470,977 thousand) in the EO business, and a 10.2% rise in consolidated net sales to ¥2,357 million (US$17,721 thousand) in the general outsourcing business, compared with the previous fiscal year. Consequently, total consolidated net sales rose 1.4% to ¥64,998 million (US$488,706 thousand), compared with the previous fiscal year. At the profit and loss level on a consolidated basis, operating income decreased 9.8% to ¥10,193 million (US$76,639 thousand), ordinary income decreased 9.5% to ¥10,321 million (US$77,601 thousand), and net income increased 7.6% to ¥5,309 million (US$39,917 thousand) compared with the previous fiscal year. Return on equity (ROE) was up 1.0 percentage point to 11.2% compared with the previous fiscal year.

In the coming fiscal year, despite such signs as the completion of inventory adjustments by companies as well as by some industries, the willingness to make capital investments is unlikely to improve quickly. However, Meitec plans to raise its utilization ratio by commencing its Best Matching System for dispatching engineers most appropriately suited to the needs of customers, as well as an education service for its new graduates, which is customized to customer needs. Both services were launched in April 2002.

Based on its basic policy of providing more than 30% of consolidated net income as dividends, Meitec has determined dividends of ¥42.5 (US$0.32) per share, which include interim dividends of ¥19 (US$0.14) per share.

Again, we thank our shareholders and look forward to their continued understanding and support.

June 2002

Kosuke Nishimoto
President and Chief Executive Officer

The core business of the Meitec Group, comprising Meitec and its five subsidiaries, centers on Engineering Outsourcing* services and general outsourcing services primarily for the manufacturing industry.

From the fiscal year under review, the Meitec Group began pursuing a business development strategy aimed at meeting the needs of manufacturing companies for complete outsourcing operations in design and development by integrating the Group's marketing structure.

*** Engineering Outsourcing is a registered trademark of Meitec Corporation and refers to an engineering service that provides design and development in such areas as machinery, electricity, electronics and computer software.**

Engineering Outsourcing Services

In addition to its own Engineering Outsourcing (EO) services, the companies that supplement Meitec's services are Japan Outsourcing (engineering outsourcing in technical fields different from Meitec's), 3D Tec (engineering outsourcing specializing in three-dimensional computer-aided design (3-D CAD) for such objects as experimental molds and dies), and IMS (engineering outsourcing focused on mount designs for printed circuit boards).

IMS became a subsidiary in December 2001 through a share acquisition. (Because IMS is of small scale, it does not exert a significant influence on the Company's consolidated accounts. Therefore, IMS was not included in the scope of consolidation for the fiscal year ended March 31, 2002.)

General Outsourcing Services

General outsourcing services refer to administrative outsourcing service handled by Japan Cast, and insurance agency and building management outsourcing service handled by MeiService.

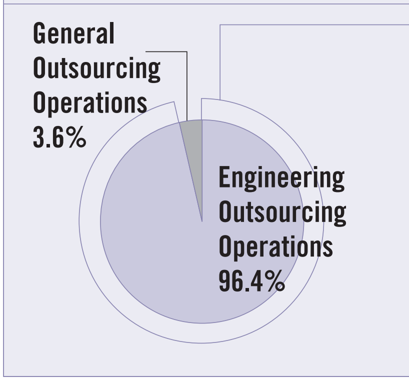
The Meitec Group's Complete Outsourcing Business Structure for the Manufacturing Industry

<table>
<tr><th colspan="6">MEITEC GROUP</th></tr>
<tr><td colspan="4">Engineering Outsourcing</td><td colspan="2">General Outsourcing</td></tr>
<tr><td rowspan="2">Meitec</td><td colspan="3">Subsidiaries</td><td colspan="2"></td></tr>
<tr><td>JO</td><td>3DT</td><td>IMS</td><td>JC</td><td>MS</td></tr>
</table>

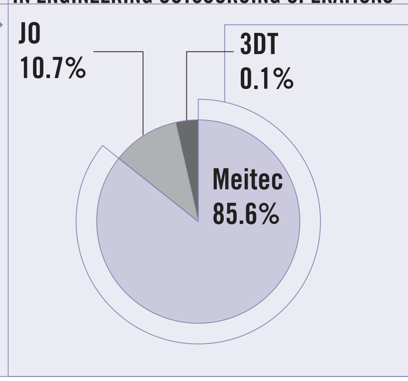
JO = Japan Outsourcing; 3DT = 3D Tec; JC = Japan Cast; MS = MeiService

Note: Other companies Meitec has invested in include IPTC Corporation, which provides semiconductor design information over the Internet, and Fuji Technical Research, which handles consignment analysis. Meitec has positioned both companies as strategic affiliates.

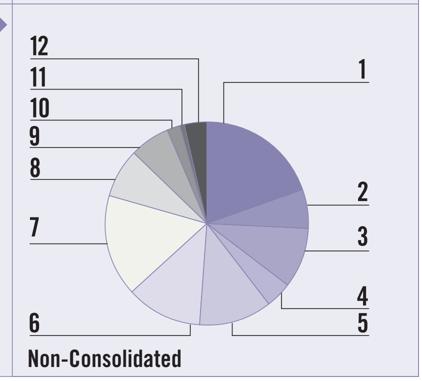
CONSOLIDATED REVENUES



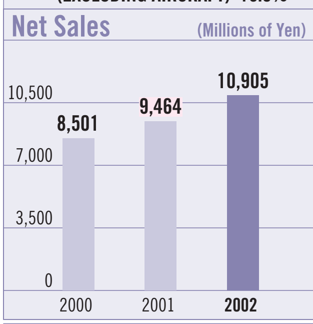
REVENUES BY GROUP COMPANY IN ENGINEERING OUTSOURCING OPERATIONS



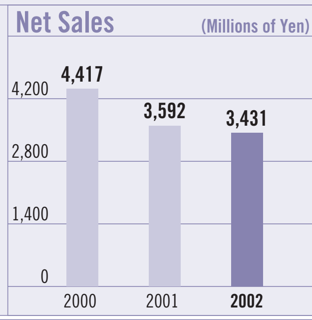
MEITEC REVENUES BY CUSTOMER



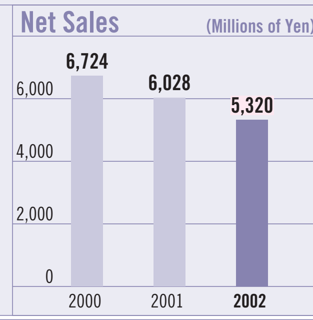
1 AUTOMOBILE/TRANSPORTATION EQUIPMENT (EXCLUDING AIRCRAFT) 19.6%



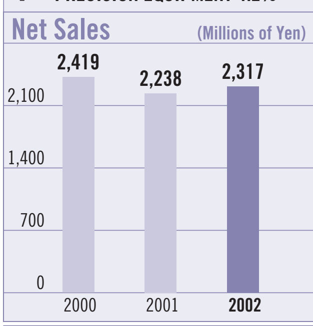
2 AIRCRAFT/ROCKETRY 6.2%



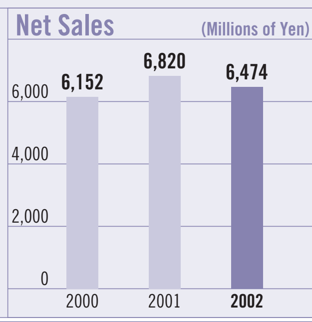
3 INDUSTRIAL MACHINERY/MACHINERY, EQUIPMENT AND SYSTEMS 9.6%



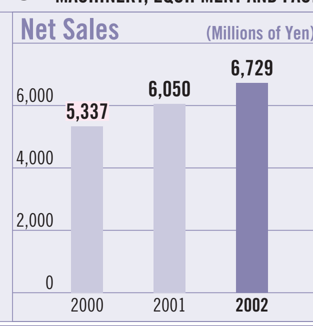
4 PRECISION EQUIPMENT 4.2%



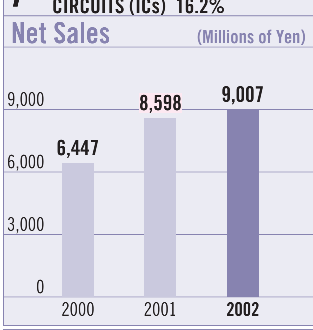
5 IT RELATED HARDWARE AND DEVICES 11.6%



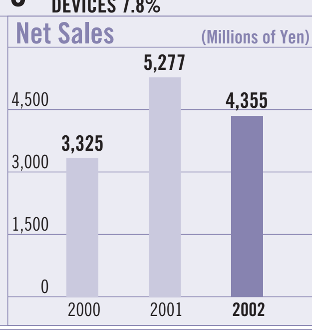
6 ELECTRIC AND ELECTRONIC/ELECTRIC MACHINERY, EQUIPMENT AND FACILITIES 12.1%



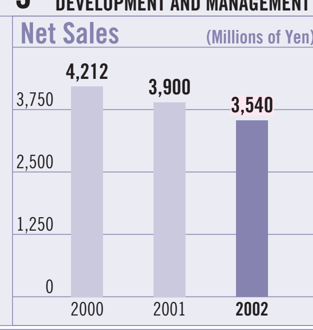
7 SEMICONDUCTORS AND INTEGRATED CIRCUITS (ICs) 16.2%



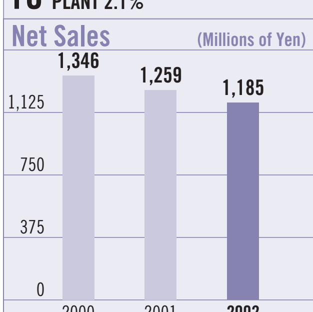
8 SEMICONDUCTOR EQUIPMENT AND DEVICES 7.8%



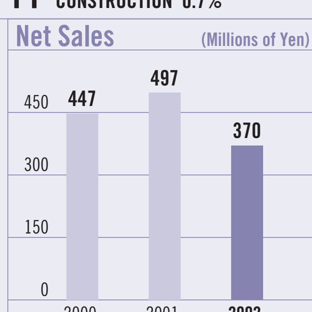
9 INFORMATION PROCESSING/SOFTWARE DEVELOPMENT AND MANAGEMENT 6.4%



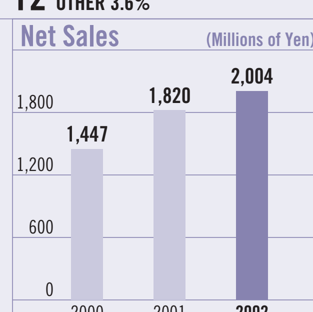
10 PLANT 2.1%



11 CONSTRUCTION 0.7%



12 OTHER 3.6%



Basic Management Policy

The Meitec Group's basic management policy is to operate its outsourcing businesses and realize mutual growth and prosperity for shareholders, customers and employees, while contributing to development of the advanced information society.

As a leading company in the industry, Meitec created the following specific concept in New VISION 21, a consolidated management plan started from the fiscal year ended March 31, 2001, to grow with advancements in society:

1) THE MEITEC GROUP SHALL TRY TO MAXIMIZE VALUE OF THE COMPANY FOR ITS SHAREHOLDERS.
2) THE MEITEC GROUP SHALL BECOME A STRATEGIC PARTNER FOR ITS CLIENTS AND ACHIEVE BUSINESS ADVANCEMENT TOGETHER BY SHARING SUCH MANAGEMENT RESOURCES AS ENGINEERS AND INFORMATION.
3) THE MEITEC GROUP SHALL SUPPORT THE EFFORTS OF EACH AND EVERY EMPLOYEE FOR THEIR ADVANCEMENT IN MARKET VALUE AND THEIR CAREERS.

In addition to the above, Meitec is focusing efforts on integrating its business vector by concentrating the Group's customers in the manufacturing industry to greatly increase the Group's advantage in the market and maximize its management resources.

Dividend Policy

Meitec maintains a basic policy of providing returns to shareholders through a performance-based dividend. Starting in the fiscal year ended March 31, 2001, management began to pay more than 30% of consolidated net income as dividends. Directors' bonuses are less than 2% of net income. This amount is determined according to the percentage change in net income from the previous fiscal year.

The Company uses retained earnings not only to strengthen its financial base, but also to aggressively expand its business through tie-ups with other companies and by aiming to enhance the quality of services provided to clients through capital investment, including training facilities and information systems. Meitec also uses retained earnings to make investments that will raise the added value of its operations. We plan to continue pursuing earnings growth that satisfies the expectations of our shareholders.

Mid- and Long-Term Management Strategy

Meitec began its New VISION 21 consolidated management plan in the fiscal year ended March 31, 2001. The plan is designed to respond to the age of consolidated management and to spur growth and development in the Meitec Group. Marshalling the comprehensive powers of Meitec, Japan Outsourcing, Japan Cast and 3D Tec, the plan aims to establish a system for providing the manufacturing industry with outsourcing operations in design and development, from high-level engineering development to a variety of less advanced technical tasks. The Company believes that pursuing a business strategy that meets the needs of the manufacturing industry for complete outsourcing operations in design and development will allow the Group to strengthen its position as number one in the outsourcing industry.

As specific Group business strategies, Meitec will consolidate business information and build a comprehensive marketing structure within the Meitec Group by integrating the marketing functions of each Group company. This will enable Meitec to maximize Groupwide results with utmost efficiency to respond to all outsourcing needs of companies in manufacturing industries. As a result, the Company is raising customer convenience and distinguishing its services from those of its competitors.

Also, to strengthen Meitec's position as a leading company in the field of EO and answer the wide-ranging and advanced needs of customers, the Company is pressing forward with aggressive investment in education for engineers, strategic alliances with companies and acquisition of companies. Meitec is also working to build a business model around service content, with new services that increase the added value of its main EO business, such as support for clients' IT deployment, analysis engineering services and contracting to make prototypes.

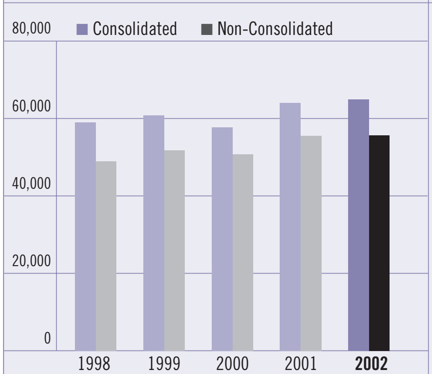
Regarding finance, in fiscal 2001 Meitec introduced a Group cash management system and is seeking to raise the efficiency of funds for the entire Group. Increasing the efficiency of capital is also a management objective and Meitec plans to streamline the Group's total assets by taking such steps as disposing of assets that make a low contribution to profits. Also, Meitec intends to build a Groupwide integrated information system to proceed with a consolidation and integration of operations, not only of marketing divisions but also of administrative divisions and thus raise operational efficiency in administrative divisions. Plans call for this system to be completed in March 2003.

Management Goals

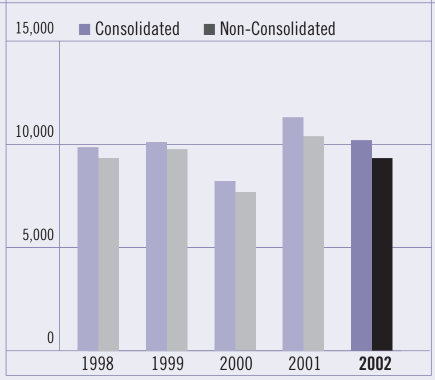
Our management policy is to meet the expectations of our shareholders through higher earnings and increased returns on equity capital to achieve a return on equity (ROE) of 10% or greater.

Performance and Ratios

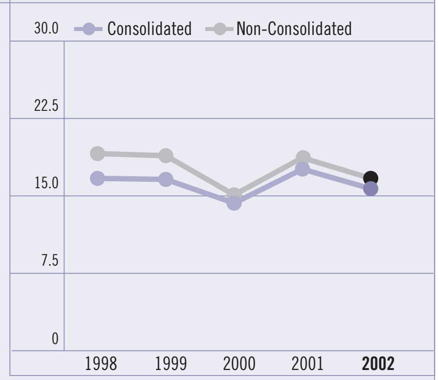
NET SALES (Millions of Yen)



OPERATING INCOME (Millions of Yen)



OPERATING INCOME MARGIN (%)



Net Sales (Millions of Yen)

Consolidated

1998	1999	2000	2001	**2002**
¥59,054	¥60,801	¥57,734	¥64,073	**¥64,998**

Non-Consolidated

1998	1999	2000	2001	**2002**
¥48,905	¥51,784	¥50,773	¥55,543	**¥55,638**

Operating Income (Millions of Yen)

Consolidated

1998	1999	2000	2001	**2002**
¥9,864	¥10,118	¥8,242	¥11,299	**¥10,193**

Non-Consolidated

1998	1999	2000	2001	**2002**
¥9,350	¥9,755	¥7,689	¥10,389	**¥9,311**

Operating Income Margin (%)

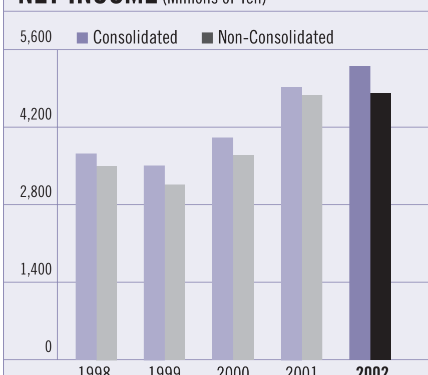
Consolidated

1998	1999	2000	2001	**2002**
16.7	16.6	14.3	17.6	**15.7**

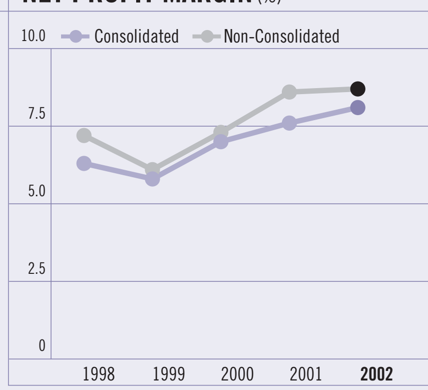
Non-Consolidated

1998	1999	2000	2001	**2002**
19.1	18.9	15.1	18.7	**16.7**

NET INCOME (Millions of Yen)



NET PROFIT MARGIN (%)



RETURN ON EQUITY (%)

Net Income (Millions of Yen)

Consolidated

1998	1999	2000	2001	**2002**
¥3,723	¥3,513	¥4,016	¥4,932	**¥5,309**

Non-Consolidated

1998	1999	2000	2001	**2002**
¥3,504	¥3,164	¥3,701	¥4,781	**¥4,822**

Net Profit Margin (%)

Consolidated

1998	1999	2000	2001	**2002**
6.3	5.8	7.0	7.6	**8.1**

Non-Consolidated

1998	1999	2000	2001	**2002**
7.2	6.1	7.3	8.6	**8.7**

Return on Equity (%)

Consolidated

1998	1999	2000	2001	**2002**
9.1	8.0	8.7	10.2	**11.2**

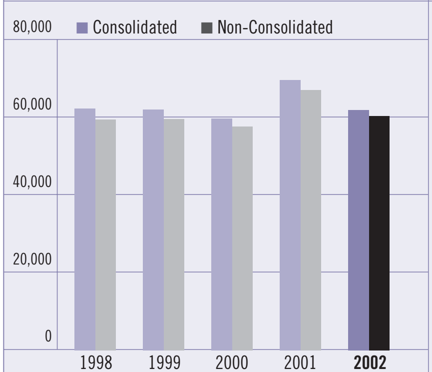
Non-Consolidated

1998	1999	2000	2001	**2002**
8.6	7.3	8.2	10.0	**10.4**

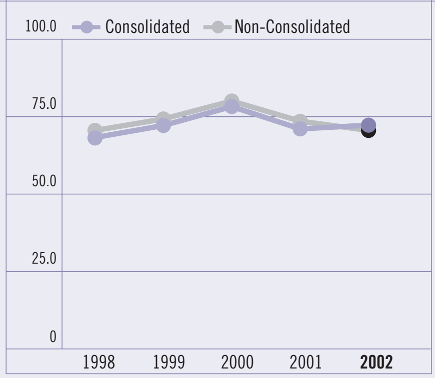
Capital Safety

Capital Efficiency

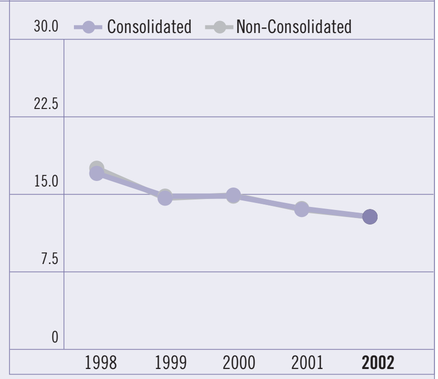
TOTAL ASSETS (Millions of Yen)



RATIO OF SHAREHOLDERS' EQUITY TO TOTAL ASSETS (%)



RATIO OF NET SALES TO SG&A EXPENSES (%)



Total Assets (Millions of Yen)

Consolidated

1998	1999	2000	2001	**2002**
¥62,330	¥62,138	¥59,820	¥69,778	**¥61,927**

Non-Consolidated

1998	1999	2000	2001	**2002**
¥59,525	¥59,635	¥57,672	¥67,133	**¥60,443**

Ratio of Shareholders' Equity to Total Assets (%)

Consolidated

1998	1999	2000	2001	**2002**
68.5	72.4	78.5	71.3	**72.5**

Non-Consolidated

1998	1999	2000	2001	**2002**
70.8	74.5	80.3	73.8	**70.8**

Ratio of Net Sales to SG&A Expenses (%)

Consolidated

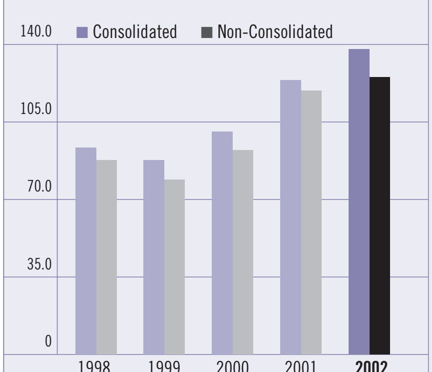
1998	1999	2000	2001	**2002**
17.1	14.9	14.9	13.7	**12.9**

Non-Consolidated

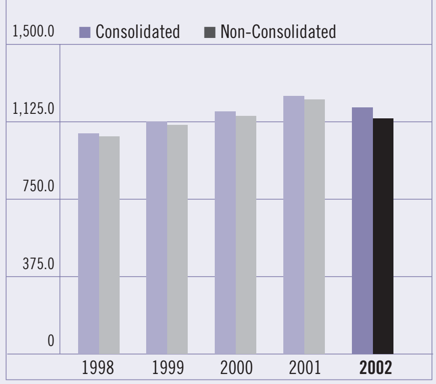
1998	1999	2000	2001	**2002**
17.6	14.7	15.0	13.6	**12.9**

Per Share Indicators

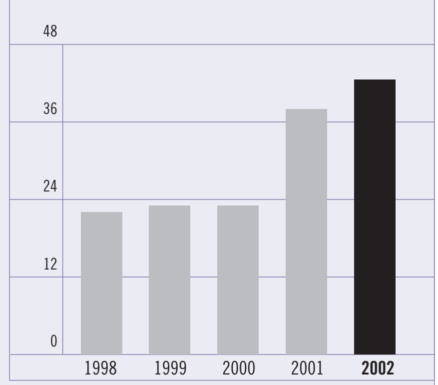
NET INCOME PER SHARE (Yen)



EQUITY PER SHARE (Yen)



CASH DIVIDENDS PER SHARE (Yen)



Net Income per Share (Yen)

Consolidated

1998	1999	2000	2001	**2002**
¥93.3	¥87.7	¥100.6	¥123.8	**¥137.8**

Non-Consolidated

1998	1999	2000	2001	**2002**
¥87.8	¥79.0	¥92.2	¥119.0	**¥125.2**

Equity per Share (Yen)

Consolidated

1998	1999	2000	2001	**2002**
¥1,067.1	¥1,124.9	¥1,175.5	¥1,250.0	**¥1,194.9**

Non-Consolidated

1998	1999	2000	2001	**2002**
¥1,052.3	¥1,108.1	¥1,153.2	¥1,233.4	**¥1,139.8**

Cash Dividends per Share (Yen)

Non-Consolidated

1998	1999	2000	2001	**2002**
¥22.0	¥23.0	¥23.0	¥38.0	**¥42.5**

CONSOLIDATED BALANCE SHEETS

MARCH 31, 2002 AND 2001

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
ASSETS	**2002**	2001	**2002**
CURRENT ASSETS:			
Cash and cash equivalents	**¥14,980**	¥22,080	**$112,632**
Short-term investments (Note 3)	**3,526**	1,604	**26,511**
Notes and accounts receivable:			
Trade notes and accounts	**10,319**	11,393	**77,586**
Allowance for doubtful accounts	**(26)**	(38)	**(195)**
Inventories (Note 4)	**152**	136	**1,143**
Deferred tax assets (Note 9)	**1,456**	1,592	**10,947**
Prepaid expenses and other	**810**	848	**6,090**
Total current assets	**31,217**	37,615	**234,714**
PROPERTY AND EQUIPMENT (Note 5):			
Land	**4,759**	5,551	**35,782**
Buildings and structures	**21,616**	21,979	**162,526**
Machinery and equipment	**185**	185	**1,391**
Furniture and fixtures	**6,120**	6,245	**46,015**
Total	**32,680**	33,960	**245,714**
Accumulated depreciation	**(11,252)**	(10,524)	**(84,601)**
Net property and equipment	**21,428**	23,436	**161,113**
INVESTMENTS AND OTHER ASSETS:			
Investment securities (Note 3)	**2,158**	2,377	**16,226**
Investments in an unconsolidated subsidiary	**86**	—	**647**
Leasehold deposits	**841**	907	**6,323**
Deferred tax assets (Note 9)	**2,867**	2,374	**21,556**
Deferred tax asset for land revaluation (Note 2(f))	**1,464**	1,629	**11,008**
Other	**1,866**	1,440	**14,030**
Total investments and other assets	**9,282**	8,727	**69,790**
TOTAL	**¥61,927**	¥69,778	**$465,617**

See notes to consolidated financial statements.

LIABILITIES AND SHAREHOLDERS' EQUITY	Millions of Yen 2002	Millions of Yen 2001	Thousands of U.S. Dollars (Note 1) 2002
CURRENT LIABILITIES:			
Short-term bank loans (Note 5)	**¥798**	¥910	**$6,000**
Current portion of long-term debt (Note 5)	**46**	247	**346**
Accounts payable	**5**	66	**38**
Income taxes payable	**1,523**	4,216	**11,451**
Accrued expenses	**6,286**	6,286	**47,263**
Other	**1,717**	2,283	**12,910**
Total current liabilities	**10,375**	14,008	**78,008**
LONG-TERM LIABILITIES:			
Long-term debt (Note 5)	**33**	79	**248**
Liability for retirement benefits (Note 6)	**5,912**	5,012	**44,451**
Other	**673**	843	**5,060**
Total long-term liabilities	**6,618**	5,934	**49,759**
MINORITY INTERESTS	**57**	72	**429**
SHAREHOLDERS' EQUITY (Note 7):			
Common stock,			
Authorized:			
147,884 thousand shares in 2002			
80,000 thousand shares in 2001			
Issued:			
38,049 thousand shares in 2002			
40,165 thousand shares in 2001	**16,810**	16,810	**126,390**
Additional paid-in capital	**8,645**	16,645	**65,000**
Land revaluation difference	**(2,021)**	(2,249)	**(15,195)**
Retained earnings	**23,662**	20,196	**177,910**
Unrealized loss on available-for-sale securities	**(289)**	(271)	**(2,173)**
Total	**46,807**	51,131	**351,932**
Treasury stock—at cost			
491 thousand shares in 2002 and 353 thousand shares in 2001	**(1,930)**	(1,367)	**(14,511)**
Total shareholders' equity	**44,877**	49,764	**337,421**
TOTAL	**¥61,927**	¥69,778	**$465,617**

CONSOLIDATED STATEMENTS OF INCOME

YEARS ENDED MARCH 31, 2002 AND 2001

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2002	2001	**2002**
NET SALES	**¥64,998**	¥64,073	**$488,706**
COST OF SALES	**46,412**	43,992	**348,962**
Gross profit	**18,586**	20,081	**139,744**
SELLING, GENERAL AND ADMINISTRATIVE EXPENSES	**8,393**	8,782	**63,105**
Operating income	**10,193**	11,299	**76,639**
OTHER INCOME (EXPENSES):			
Interest and dividends	**30**	48	**225**
Interest expense	**(12)**	(25)	**(90)**
(Loss) gain on sales of marketable and investment securities—net	**(469)**	161	**(3,526)**
Loss on sales and disposals of fixed assets—net	**(195)**	(117)	**(1,466)**
Charge for full amount of transition obligation for employees' retirement benefits	**—**	(1,962)	**—**
Reversal of liability for retirement benefits for directors and corporate auditors	**102**	—	**767**
Other—net	**(29)**	(691)	**(218)**
Other expenses—net	**(573)**	(2,586)	**(4,308)**
INCOME BEFORE INCOME TAXES AND MINORITY INTERESTS	**9,620**	8,713	**72,331**
INCOME TAXES (Note 9):			
Current	**4,504**	5,932	**33,864**
Deferred	**(178)**	(2,143)	**(1,338)**
Total income taxes	**4,326**	3,789	**32,526**
MINORITY INTERESTS IN NET LOSS OF SUBSIDIARY	**15**	8	**112**
NET INCOME	**¥5,309**	¥4,932	**$39,917**

	Yen		U.S. Dollars
PER SHARE OF COMMON STOCK (Note 2(o)):			
Net income	**¥137.83**	¥123.79	**$1.04**
Diluted net income	**133.61**	123.72	**1.00**
Cash dividends applicable to the year	**42.50**	38.00	**0.32**

See notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY

YEARS ENDED MARCH 31, 2002 AND 2001

	Thousands	Millions of Yen					
	Issued Number of Shares of Common Stock	Common Stock	Additional Paid-in Capital	Land Revaluation Difference	Retained Earnings	Unrealized Loss on Available-for-sale Securities	Treasury Stock at Cost
BALANCE, APRIL 1, 2000	40,159	¥16,806	¥16,641	¥(2,249)	¥16,557	—	¥(815)
Net income	—	—	—	—	4,932	—	—
Cash dividends, ¥31 per share	—	—	—	—	(1,235)	—	—
Bonuses to directors and corporate auditors	—	—	—	—	(58)	—	—
Net increase in treasury stock (127 thousand shares)	—	—	—	—	—	—	(552)
Conversion of convertible bonds	6	4	4	—	—	—	—
Unrealized loss on available-for-sale securities	—	—	—	—	—	¥(271)	—
BALANCE, MARCH 31, 2001	40,165	16,810	16,645	(2,249)	20,196	(271)	(1,367)
Net income	—	—	—	—	5,309	—	—
Cash dividends, ¥39 per share	—	—	—	—	(1,522)	—	—
Bonuses to directors and corporate auditors	—	—	—	—	(93)	—	—
Acquisition of treasury stock for retirement	(2,116)	—	(8,000)	—	—	—	—
Net increase in treasury stock (138 thousand shares)	—	—	—	—	—	—	(563)
Reversal of land revaluation loss	—	—	—	228	(228)	—	—
Net change in unrealized loss on available-for-sale securities	—	—	—	—	—	(18)	—
BALANCE, MARCH 31, 2002	**38,049**	**¥16,810**	**¥8,645**	**¥(2,021)**	**¥23,662**	**¥(289)**	**¥(1,930)**

	Thousands of U.S. Dollars (Note 1)					
	Common Stock	Additional Paid-in Capital	Land Revaluation Difference	Retained Earnings	Unrealized Loss on Available-for-sale Securities	Treasury Stock at Cost
BALANCE, MARCH 31, 2001	$126,390	$125,150	$(16,909)	$151,850	$(2,038)	$(10,278)
Net income	—	—	—	39,917	—	—
Cash dividends, $0.29 per share	—	—	—	(11,444)	—	—
Bonuses to directors and corporate auditors	—	—	—	(699)	—	—
Acquisition of treasury stock for retirement	—	(60,150)	—	—	—	—
Net increase in treasury stock (138 thousand shares)	—	—	—	—		(4,233)
Reversal of land revaluation loss	—	—	1,714	(1,714)	—	—
Net change in unrealized loss on available-for-sale securities	—	—	—	—	(135)	—
BALANCE, MARCH 31, 2002	**$126,390**	**$65,000**	**$(15,195)**	**$177,910**	**$(2,173)**	**$(14,511)**

See notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS

YEARS ENDED MARCH 31, 2002 AND 2001

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2002	2001	**2002**
OPERATING ACTIVITIES:			
Income before income taxes and minority interests	**¥9,620**	¥8,713	**$72,331**
Adjustments for:			
Income taxes—paid	**(7,197)**	(2,606)	**(54,112)**
Depreciation and amortization	**1,155**	1,296	**8,683**
Loss on sales and disposals of fixed assets—net	**188**	116	**1,414**
Loss (Gain) on sales of marketable and investment securities—net	**469**	(161)	**3,526**
Loss on revaluation of memberships	**38**	80	**286**
Changes in assets and liabilities:			
Decrease (Increase) in trade receivables	**1,074**	(759)	**8,075**
Increase in accrued expenses	**0**	706	**0**
(Decrease) Increase in consumption taxes payable	**(235)**	366	**(1,767)**
Increase in allowance for loss on sales of real estate	**20**	366	**150**
Increase in liabilities for retirement benefits	**900**	2,560	**6,767**
(Decrease) Increase in allowance for pending litigation	**(170)**	321	**(1,278)**
Other—net	**(205)**	235	**(1,541)**
Total adjustments	**(3,963)**	2,520	**(29,797)**
Net cash provided by operating activities	**5,657**	11,233	**42,534**
INVESTING ACTIVITIES:			
Purchase of short-term investments	**(5,478)**	(9,883)	**(41,187)**
Proceeds from sales of short-term investments	**3,558**	10,285	**26,752**
Acquisition of investment securities	**(741)**	(888)	**(5,571)**
Proceeds from sales of investment securities	**426**	812	**3,203**
Acquisition of property and equipment	**(104)**	(180)	**(782)**
Proceeds from sales of property and equipment	**504**	11	**3,789**
Acquisition of subsidiary stock	**(86)**	—	**(647)**
Acquisition of other investments and assets	**(643)**	(660)	**(4,835)**
Proceeds from sales of other investment and assets	**268**	173	**2,015**
Net cash used in investing activities	**(2,296)**	(330)	**(17,263)**
FINANCING ACTIVITIES:			
Decrease in short-term bank loans—net	**(112)**	(288)	**(842)**
Proceeds from long-term debt	**—**	200	**—**
Repayments of long-term debt	**(247)**	(878)	**(1,857)**
Acquisition of treasury stock	**(574)**	(626)	**(4,316)**
Dividends paid	**(1,522)**	(1,235)	**(11,444)**
Acquisition of treasury stock for retirement	**(8,000)**	—	**(60,150)**
Other—net	**12**	112	**90**
Net cash used in financing activities	**(10,443)**	(2,715)	**(78,519)**
EFFECT OF FOREIGN CURRENCY TRANSLATION ADJUSTMENTS ON CASH AND CASH EQUIVALENTS	**(18)**	—	**(135)**
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	**(7,100)**	8,188	**(53,383)**
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	**22,080**	13,892	**166,015**
CASH AND CASH EQUIVALENTS, END OF YEAR	**¥14,980**	¥22,080	**$112,632**
NON-CASH INVESTING AND FINANCING ACTIVITIES:			
Conversion of convertible bonds into common stock	**—**	¥8	**—**

See notes to consolidated financial statements.

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 Securities and Exchange Law and its related accounting regulations, and in conformity with accounting principles and practices generally accepted in Japan, which are different in certain respects as to application and disclosure requirements of International Accounting Standards. The consolidated financial statements are not intended to present the financial position, results of operations and cash flows in accordance with accounting principles and practices generally accepted in countries and jurisdictions other than Japan.

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.

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 ¥133 to $1, the approximate rate of exchange at March 29, 2002, the last trading day of the fiscal year. 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, 2002 and 2001 include the accounts of the Company and its four subsidiaries (together the “Group”). Investment in one unconsolidated subsidiary, that was acquired on December 27, 2001, is accounted for on the cost basis. If the equity method of accounting had been applied to the investment in the company, the effect on the accompanying consolidated financial statements would not have been material.

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 charged to income when incurred. All significant intercompany balances and transactions have been eliminated in consolidation.

(b) Cash Equivalents

Cash equivalents are short-term investments that are readily convertible into cash that are exposed to insignificant risk of changes in value. Cash equivalents include time deposits, all of which mature or become due within three months of the date of acquisition.

(c) Inventories

Inventories are stated at cost determined by the specific identification method.

(d) Marketable and Investment Securities

Prior to April 1, 2000, marketable and investment securities listed on a stock exchange were stated at the lower of cost, determined by the moving-average method, or market. Marketable securities were included in short-term investments. Other securities were stated at cost which was determined by the moving-average method.

Effective April 1, 2000, the Group adopted a new accounting standard for financial instruments, including marketable and investment securities. Under this standard, securities are classified and accounted for depending on management’s intent, as follows:

Marketable and investment securities are classified and accounted for depending on management’s intent, as follows:

1) held-to-maturity debt securities, securities that management has the positive intent and ability to hold to maturity, are reported at amortized cost, and 2) available-for-sale securities, which include debt securities not classified as held-to-maturity, are reported at fair value, with unrealized gains and losses, net of applicable taxes, reported as a separate component of shareholders’ equity. The cost of securities sold is determined based on the moving-average method.

The effect of this change was to increase income before income taxes and minority interests by ¥249 million for the year ended March 31, 2001. Marketable securities classified as short-term investments in current assets decreased by ¥1,089 million and investment securities increased by the same amount at April 1, 2000.

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.

(e) Property and Equipment

Property and equipment are stated at cost. Depreciation is principally computed by the declining-balance method at rates 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, from 3 to 6 years for machinery and equipment, and from 3 to 15 years for furniture and fixtures.

(f) Land Revaluation

Under the "Law of Land Revaluation", promulgated on March 31, 1998 and revised on March 31, 1999, respectively, 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 shareholders' equity. There is no effect on the statement of income. The details of the one-time revaluation for land remaining as of March 31, 2002 were as follows:

Land before revaluation:	¥8,244 million
Land after revaluation:	¥4,759 million
Land revaluation difference:	¥2,021 million (net of deferred tax assets of ¥1,464 million)

At March 31, 2002, the carrying amount of the land after the above one-time revaluation exceeded the market value by ¥764 million ($5,744 thousand).

(g) Retirement and Pension Plans

Under the employees' retirement plans for the Group, prior to April 1, 2000, the annual provision for retirement benefits was calculated to state the liability at the amount that would be required if all employees voluntarily terminated their employment at each balance sheet date.

The Company also has a contributory funded pension plan covering substantially all of its employees. Prior to April 1, 2000, the amounts contributed to the fund were charged to income when incurred.

Effective April 1, 2000, the Group adopted a new accounting standard for employees' retirement benefits and accounted for the liability for retirement benefits based on the projected benefit obligations and plan assets at the balance sheet date. The full amount of the transitional obligation of ¥1,962 million at the beginning of the year was charged to income and presented as other expenses in the statement of income for the year ended March 31, 2001. As a result, net periodic retirement benefit costs, as compared with the prior method, increased by ¥201 million and income before income taxes and minority interests decreased by ¥2,163 million.

Prior to July 1, 2001, retirement benefits for directors and corporate auditors were recorded to state the liability at the amount that would be paid if all directors and corporate auditors retired at each balance sheet date.

Effective July 1, 2001, based on the amendment of the Articles of Incorporation, the Group ceased recognition of the retirement benefits for directors and corporate auditors. Accordingly, the liability for retirement benefits for directors and corporate auditors was reversed. As a result, compared to the amounts that would have been recorded had the retirement benefits been recognized, selling general and administrative expenses decreased by ¥27 million ($203 thousand) and income before income taxes and minority interest increased by ¥130 million ($977 thousand) for the year ended March 31, 2002.

(h) Other Assets

Intangible assets are carried at cost less accumulated amortization, which is calculated by the straight-line method principally over 5 to 15 years.

(i) Leases

All leases are accounted for as operating leases. Under Japanese accounting standards for leases, finance leases that deem to transfer ownership of the leased property to the lessee are to be capitalized, while other finance leases are permitted to be accounted for as operating lease transactions if certain "as if capitalized" information is disclosed in the notes to the lessee's financial statements.

(j) Allowance for Pending Litigation

An allowance for pending litigation is provided based on the details of the judicial decisions or other aspects of the claim. A former director of the Company has filed a claim against the Company for payment of remuneration. The amount of the allowance for pending litigation included in other long-term liabilities is ¥293 million ($2,203 thousand) and ¥463 million, at March 31, 2002 and 2001, respectively.

(k) Allowance for Loss on Sales of Real Estate

An allowance is provided to cover losses that the Group expects to incur on future sales of real estate. The amount of the allowance for loss on sales of real estate included in other current liabilities is ¥20 million ($150 thousand) and ¥366 million at March 31, 2002 and 2001, respectively.

(l) Income Taxes

The provision for 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.

(m) Appropriations of Retained Earnings

Appropriations of retained earnings are reflected in the financial statements for the following year upon shareholders' approval.

(n) Foreign Currency Transactions

Prior to April 1, 2000, short-term receivables and payables denominated in foreign currencies were translated into Japanese yen at the current exchange rates at each balance sheet date, while long-term receivables and payables denominated in foreign currencies were translated at historical rates.

Effective April 1, 2000, the Group adopted a revised accounting standard for foreign currency transactions. In accordance with the revised standard, all short-term and long-term monetary receivables and payables denominated in foreign currencies are translated into Japanese yen at the current exchange rates at the balance sheet date. The foreign exchange gains and losses from translation are recognized in the statement of income to the extent that they are not hedged by forward exchange contracts.

(o) Per Share Information

The computation of net income per share is based on the weighted-average number of shares of common stock outstanding during each year, retroactively adjusted for stock splits. The average number of common shares used in the computation was 38,518 thousand shares for 2002 and 39,845 thousand shares for 2001.

Diluted net income per share of common stock assumes full conversion of the outstanding convertible 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.

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 year.

3. SHORT-TERM INVESTMENTS AND INVESTMENT SECURITIES

Short-term investments and investment securities at March 31, 2002 and 2001 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2002	2001	**2002**
Short-term investments:			
Time deposits	**¥3,079**	¥1,205	**$23,151**
Debt securities	**145**	399	**1,090**
Other	**302**	—	**2,270**
Total	**¥3,526**	¥1,604	**$26,511**
Investment securities:			
Equity securities	**¥790**	¥1,544	**$5,940**
Debt securities	**696**	—	**5,233**
Other	**672**	833	**5,053**
Total	**¥2,158**	¥2,377	**$16,226**

Information regarding each category of the securities with fair market values classified as available-for-sale and held-to-maturity at March 31, 2002 and 2001 is as follows:

March 31, 2002	Millions of Yen			
	Cost	Unrealized Gains	Unrealized Losses	Fair Value
Available-for-sale:				
Equity securities	**¥655**	**¥29**	**¥(96)**	**¥588**
Debt securities	**615**	**—**	**(21)**	**594**
Other	**1,401**	**1**	**(428)**	**974**
Held-to-maturity:				
Debt securities	**247**	**0**	**(2)**	**245**

March 31, 2001	Millions of Yen			
	Cost	Unrealized Gains	Unrealized Losses	Fair Value
Available-for-sale:				
Equity securities	¥1,548	¥49	¥(249)	¥1,348
Other	1,100	—	(267)	833
Held-to-maturity:				
Debt securities	399	0	0	399

March 31, 2002	Thousands of U.S. Dollars			
	Cost	Unrealized Gains	Unrealized Losses	Fair Value
Available-for-sale:				
Equity securities	**$4,925**	**$218**	**$(722)**	**$4,421**
Debt securities	**4,624**	**—**	**(158)**	**4,466**
Other	**10,534**	**7**	**(3,218)**	**7,323**
Held-to-maturity:				
Debt securities	**1,857**	**0**	**(15)**	**1,842**

Available-for-sale securities whose fair value is not readily determinable at March 31, 2002 and 2001 were as follows:

Carrying amount	Millions of Yen		Thousands of U.S. Dollars
	2002	2001	**2002**
Equity securities	**¥202**	¥196	**$1,519**
Total	**¥202**	¥196	**$1,519**

Proceeds from sales of available-for-sale securities for the years ended March 31, 2002 and 2001 were ¥873 million ($6,564 thousand) and ¥812 million, respectively. Gross realized gains and losses on these sales, were ¥19 million ($143 thousand) and ¥470 million ($3,534 thousand), respectively for the year ended March 31, 2002 and ¥177 million and ¥16 million, respectively for the year ended March 31, 2001.

Contractual maturities for securities classified as available-for-sale and held-to-maturity at March 31, 2002 and 2001 were as follows:

	Millions of Yen			
	2002		2001	
	Available-for-Sale	Held-to-Maturity	Available-for-Sale	Held-to-Maturity
Due in one year or less	**¥402**	**¥45**	—	¥399
Due after one year through five years	**789**	**202**	¥360	—
Due after five years through ten years	**32**	**—**	39	—
Due after ten years	**345**	**—**	434	—
Total	**¥1,568**	**¥247**	¥833	¥399

March 31, 2002	Thousands of U.S. Dollars	
	Available-for-Sale	Held-to-Maturity
Due in one year or less	**$3,022**	**$338**
Due after one year through five years	**5,932**	**1,519**
Due after five years through ten years	**241**	**—**
Due after ten years	**2,594**	**—**
Total	**$11,789**	**$1,857**

4. INVENTORIES

Inventories at March 31, 2002 and 2001 consisted mainly of work in process related to Engineering Outsourcing.

5. SHORT-TERM BANK LOANS AND LONG-TERM DEBT

Short-term bank loans at March 31, 2002 and 2001 consisted mainly of loan agreements with banks and bank overdrafts. The annual interest rates applicable to the short-term bank loans ranged from 0.39% to 0.50% and 0.42% to 0.93% at March 31, 2002 and 2001, respectively.

Long-term debt at March 31, 2002 and 2001 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2002	2001	**2002**
Unsecured 3.2% yen convertible bonds, due fiscal year ending March 31, 2004	**¥ 33**	¥33	**$ 248**
Loans from banks and other financial institutions, due serially to fiscal year ending March 31, 2003 with interest rates ranging from 1.66% to 1.68% (2002) and 1.01% to 1.68 % (2001)	**46**	293	**346**
Total	**79**	326	**594**
Less current portion	**(46)**	(247)	**(346)**
Long-term debt, less current portion	**¥ 33**	¥79	**$ 248**

Additional information with respect to the Company's convertible bonds is as follows:

	3.2% Yen Convertible Bonds
Issued on	March 15, 1995
Initial principal	¥8,000 million
Maturity	March 31, 2004
Term of conversion	From April 3, 1995 to March 30, 2004
Conversion price (per share*) at March 31, 2002	¥1,394
Balance of debt at March 31, 2002	¥33 million
Accumulated number of shares issued upon conversion through March 31, 2002	5,715,096 shares
Number of additional shares that would be issued upon conversion at March 31, 2002	23,672 shares

(*) Subject to adjustment for subsequent stock splits and other circumstances.

The unsecured 3.2% yen convertible bond agreements contain restrictions with respect to payments of dividends. The details are described in Note 7.

Annual maturities of long-term debt at March 31, 2002, were as follows:

Year Ending March 31	Millions of Yen	Thousands of U.S. Dollars
2003	**¥46**	**$346**
2004	**33**	**248**
Total	**¥79**	**$594**

The carrying amounts of assets pledged as collateral for short-term bank loans of ¥240 million ($1,805 thousand) at March 31, 2002, were as follows:

	Millions of Yen	Thousands of U.S. Dollars
Buildings—net of accumulated depreciation	**¥323**	**$2,429**
Land	**489**	**3,676**
Total	**¥812**	**$6,105**

6. RETIREMENT AND PENSION PLANS

The Group has severance payment plans for employees.

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. If the termination is involuntary, caused by retirement at the mandatory retirement age or caused by death, or certain other causes, the employee is entitled to greater payment than in the case of voluntary termination.

Effective April 1, 2000, the Company adopted a new accounting standard for employees' retirement benefits (see Note 2(g)).

The liability for employees' retirement benefits at March 31, 2002 and 2001 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2002	2001	**2002**
Projected benefit obligation	**¥18,797**	¥14,509	**$141,330**
Fair value of plan assets	**(8,551)**	(7,837)	**(64,293)**
Unrecognized actuarial loss	**(4,334)**	(1,823)	**(32,586)**
Net liability	**¥5,912**	¥4,849	**$44,451**

The components of net periodic retirement benefit costs for the years ended March 31, 2002 and 2001 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2002	2001	**2002**
Service cost	**¥1,431**	¥1,307	**$10,759**
Interest cost	**435**	365	**3,271**
Expected return on plan assets	**(392)**	(395)	**(2,947)**
Amortization of transition obligation	**—**	1,962	**—**
Recognized actuarial loss	**504**	203	**3,789**
Net periodic retirement benefit costs	**¥1,978**	¥3,442	**$14,872**

Assumption used for the years ended March 31, 2002 and 2001 were set forth as follows:

	2002	2001
Discount rate	**2.5%**	3.0%
Expected rate of return on plan assets	**5.0%**	5.0%
Recognition period of actuarial gain/loss	**10 years**	10 years
Amortization period of transition obligation	**—**	1 year

Prior to July 1, 2001, retirement benefits for directors and corporate auditors were paid subject to approval of the shareholders in accordance with the Japanese Commercial Code (the “Code”). The Group recorded a liability for its unfunded retirement allowance plan covering all of its directors and corporate auditors. The retirement benefits for directors and corporate auditors at March 31, 2001 were included in liability for retirement benefits in the amount of ¥163 million.

Effective July 1, 2001, based on the amendment of the Articles of Incorporation, the Group eliminated the retirement benefits to directors and corporate auditors (See Note 2(g)).

7. SHAREHOLDERS’ EQUITY

Japanese companies are subject to the Japanese Commercial Code to which certain amendments became effective from October 1, 2001.

Prior to October 1, 2001, the Code required at least 50% of the issue price of new shares, with a minimum of the par value thereof, to be designated as stated capital as determined by resolution of the Board of Directors. Proceeds in excess of amounts designated as stated capital were credited to additional paid-in capital. Effective October 1, 2001, the Code was revised and common stock par values were eliminated resulting in all shares being recorded with no par value.

Prior to October 1, 2001, the Code also provided that an amount at least equal to 10% of the aggregate amount of cash dividends and certain other cash payments which are made as an appropriation of retained earnings applicable to each fiscal period shall be appropriated and set aside as a legal reserve until such reserve equals 25% of stated capital. Effective October 1, 2001, the revised Code allows for such appropriations to be set aside as a legal reserve until the total additional paid-in capital and legal reserve equals 25% of stated capital. The amount of total additional paid-in capital and legal reserve which exceeds 25% of stated capital can be transferred to retained earnings by resolution of the shareholders, which may be available for dividends. The Company’s legal reserve amount, which is included in retained earnings, totals ¥4,203 million ($31,602 thousand—2002 only) as of March 31, 2002 and 2001.

Under the Code, companies may issue new common shares to existing shareholders without consideration as a stock split pursuant to a resolution of the Board of Directors. Prior to October 1, 2001, the amount calculated by dividing the total amount of shareholders’ equity by the number of outstanding shares after the stock split could not be less than ¥50. The revised Code eliminated this restriction.

Prior to October 1, 2001, the Code imposed certain restrictions on the repurchase and use of treasury stock. Effective October 1, 2001, the Code eliminated these restrictions allowing companies to repurchase treasury stock by a resolution of the shareholders at the general shareholders’ meeting and dispose of such treasury stock by resolution of the Board of Directors after March 31, 2002. The repurchased amount of treasury stock cannot exceed the amount available for future dividend plus amount of stated capital, additional paid-in capital or legal reserve to be reduced in the case where such reduction was resolved at the general shareholders’ meeting.

The Code permits companies to transfer a portion of additional paid-in capital and legal reserve to stated capital by resolution of the Board of Directors. The Code also permits companies to transfer a portion of unappropriated retained earnings, available for dividends, to stated capital by resolution of the shareholders.

Dividends are approved by the shareholders at a meeting held subsequent to the fiscal year to which the dividends are applicable. Semi-annual interim dividends may also be paid upon resolution of the Board of Directors, subject to certain limitations imposed by the Code.

During the year ended March 31, 2001, ¥9 million of the unsecured 3.2% yen convertible bonds due March 31, 2004 were converted into 6,454 shares of the Company's common stock. The effect of the conversion of the bonds was to increase both common stock and additional paid-in capital by ¥4 million. During the year ended March 31, 2002, none of the unsecured 3.2% yen convertible bonds due March 31, 2004 were converted into shares of the Company's common stock.

Under the terms of unsecured 3.2% yen convertible bonds, the Company's cash dividend payments (including interim cash dividends) are restricted. The amount available for dividends is calculated on a cumulative basis to an amount not to exceed the accumulated net income earned since March 31, 1995, excluding certain other income and expenses and corporate and inhabitant taxes, plus ¥500 million ($3,759 thousand). Under these terms, retained earnings allowed to be distributed as dividends at March 31, 2002, would be ¥26,115 million ($196,353 thousand). However, under the Code, the maximum amount available for dividends is based on retained earnings as recorded on the Company's books. At March 31, 2002, the amount available for future dividends subject to the approval of the shareholders and legal reserve and other requirements is ¥13,149 million ($98,865 thousand).

During the year ended March 31, 2002, the Company purchased 2,116 thousand shares of its common stock for ¥8,000 million ($60,150 thousand) for the retirement of such capital stock, subsequent to resolution by the Board of Directors. The Company retired this treasury stock by decreasing additional paid in capital by ¥8,000 million and the number of shares authorized and issued by 2,116 thousand shares.

8. STOCK OPTION PLANS

Under certain stock option plans approved by the Company's shareholders, the Company has granted stock options to directors and key employees. Each option permits the holder to purchase one share of the Company's common stock at a specified exercise price, during a specified period. Information about the outstanding stock option plans is as follows:

Date of Approval	Option Holder	Total Number of Options Granted	Exercise Period	Exercise Price
June 26, 1998	Directors	77,500	From June 27, 2000	¥5,530
	Key employees	44,000	to June 26, 2008	
June 29, 1999	Directors	72,500	From June 30, 2001	¥3,997
	Key employees	46,000	to June 29, 2009	
June 29, 2000	Directors	70,000	From June 30, 2002	¥4,280
	Key employees	71,000	to June 29, 2010	
June 26, 2001	Directors	60,000	From June 27, 2003	¥4,280
	Key employees	79,000	to June 26, 2011	

The balance of treasury stock recorded in the shareholders' equity section at March 31, 2002 includes treasury stock purchased for the purpose of granting stock options.

9. 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 42% for the years ended March 31, 2002 and 2001.

The tax effects of significant temporary differences that resulted in deferred tax assets and liabilities at March 31, 2002 and 2001 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2002	2001	**2002**
Deferred tax assets:			
Accrued bonuses	**¥1,253**	¥1,018	**$9,421**
Retirement benefits	**2,143**	1,699	**16,112**
Enterprise taxes payable	**126**	377	**947**
Loss on revaluation of memberships	**58**	180	**436**
Allowance for pending litigation	**123**	195	**925**
Other	**414**	306	**3,113**
Unrealized loss on available-for-sale securities	**217**	217	**1,632**
Total	**¥4,334**	¥3,992	**$32,586**
Deferred tax liabilities:			
Unrealized gain on available-for-sale securities	**¥6**	¥20	**$45**
Deferred gain on sales of property and equipment	**5**	6	**38**
Total	**¥11**	¥26	**$83**
Net deferred tax assets	**¥4,323**	¥3,966	**$32,503**

Reconciliation between the normal effective statutory tax rate for the year ended March 31, 2001 and the actual effective tax rates reflected in the accompanying consolidated statements of income was omitted, since the difference between the rates was immaterial. The reconciliation for the year ended March 31, 2002 is as follows:

Normal effective statutory tax rate	**42.0%**
Expenses not deductible for income tax purposes	**0.2**
Revenues not recognized for income tax purposes	**(0.0)**
Per capita tax	**1.3**
Other—net	**1.4**
Actual effective tax rate	**44.9%**

10. LEASES

The Group leases certain furniture and fixtures and other assets.

Total rental expenses for the years ended March 31, 2002 and 2001 were ¥20 million ($150 thousand) and ¥43 million, respectively.

Pro forma information of leased property under finance leases that do not transfer ownership of the leased property to the lessee on an "as if capitalized" basis at March 31, 2002 and 2001 is as follows:

	Millions of Yen						Thousands of U.S. Dollars		
	2002			2001			**2002**		
	Furniture and Fixtures	Other	Total	Furniture and Fixtures	Other	Total	Furniture and Fixtures	Other	Total
Acquisition cost	**¥80**	**¥13**	**¥93**	¥196	¥13	¥209	**$601**	**$98**	**$699**
Accumulated depreciation	**67**	**11**	**78**	160	7	167	**503**	**83**	**586**
Net leased property	**¥13**	**¥2**	**¥15**	¥36	¥6	¥42	**$ 98**	**$15**	**$113**

Obligations under finance leases at March 31, 2002 and 2001 were:

	Millions of Yen		Thousands of U.S. Dollars
	2002	2001	**2002**
Due within one year	**¥9**	¥28	**$68**
Due after one year	**6**	14	**45**
Total	**¥15**	¥42	**$113**

The amount of acquisition cost and obligations under finance leases include the imputed interest expense portion.

Depreciation expense, which was not reflected in the accompanying consolidated statements of income computed by the straight-line method, was ¥20 million ($150 thousand) and ¥43 million for the years ended March 31, 2002 and 2001, respectively.

11. SUBSEQUENT EVENTS

The following matters were approved at the Company's shareholders' meeting held on June 25, 2002:

(a) Appropriations of Retained Earnings

	Millions of Yen	Thousands of U.S. Dollars
Year-end cash dividends, ¥23.5 ($0.18) per share	**¥883**	**$6,639**
Bonuses to directors and corporate auditors	**83**	**624**

(b) Stock Option Plan

This plan provides for issuing stock warrants to directors and key employees. The warrants entitle the holders to purchase up to 136,000 shares of the Company's common stock at an exercise price of 103% of the average closing price of the Company's common stock, according to the Tokyo Stock Exchange, for the month prior to the month in which the warrants are issued and are exercisable during the period from June 26, 2004 to June 25, 2012.

(c) Purchase of Treasury Stock

The Company is authorized to repurchase up to 1,083 thousand shares of the Company's common stock (aggregate amount of ¥3,375 million).

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Deloitte
Touche
Tohmatsu

INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
MEITEC CORPORATION:

We have examined the consolidated balance sheets of MEITEC CORPORATION and consolidated subsidiaries as of March 31, 2002 and 2001, and the related consolidated statements of income, shareholders' equity, and cash flows for the years then ended, all expressed in Japanese yen. Our examinations were made in accordance with auditing standards, procedures and practices generally accepted and applied in Japan and, accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the consolidated financial statements referred to above present fairly the financial position of MEITEC CORPORATION and consolidated subsidiaries as of March 31, 2002 and 2001, and the results of their operations and their cash flows for the years then ended in conformity with accounting principles and practices generally accepted in Japan applied on a consistent basis.

Our examinations 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

June 25, 2002

SUPPLEMENTAL NON-CONSOLIDATED BALANCE SHEETS

MARCH 31, 2002 AND 2001

	Millions of Yen		Thousands of U.S. Dollars
ASSETS	**2002**	2001	**2002**
CURRENT ASSETS:			
Cash and cash equivalents	**¥14,546**	¥20,045	**$109,368**
Short-term investments	**3,447**	1,503	**25,917**
Notes and accounts receivable:			
Trade notes and accounts	**9,205**	10,189	**69,211**
Subsidiaries	**14**	98	**105**
Allowance for doubtful accounts	**(19)**	(32)	**(143)**
Inventories	**152**	136	**1,143**
Deferred tax assets	**1,259**	1,287	**9,467**
Prepaid expenses and other	**746**	806	**5,609**
Total current assets	**29,350**	34,032	**220,677**
PROPERTY AND EQUIPMENT:			
Land	**4,759**	4,910	**35,782**
Buildings and structures	**21,584**	21,825	**162,285**
Machinery and equipment	**185**	185	**1,391**
Furniture and fixtures	**6,027**	6,147	**45,316**
Total	**32,555**	33,067	**244,774**
Accumulated depreciation	**(11,190)**	(10,414)	**(84,135)**
Net property and equipment	**21,365**	22,653	**160,639**
INVESTMENTS AND OTHER ASSETS:			
Investment securities	**2,155**	2,372	**16,203**
Investments in subsidiaries	**766**	680	**5,759**
Treasury stock	**—**	1,363	**—**
Leasehold deposits	**764**	754	**5,744**
Deferred tax assets	**2,790**	2,298	**20,978**
Deferred tax asset for land revaluation	**1,464**	1,629	**11,008**
Other	**1,789**	1,352	**13,451**
Total investments and other assets	**9,728**	10,448	**73,143**
TOTAL	**¥60,443**	¥67,133	**$454,459**

Notes: 1. The translation of Japanese yen amounts into U.S. dollar amounts have been made at the rate of ¥133 to $1, the approximate rate of exchange at March 29, 2002.

2. Treasury stock which was classified as assets in 2001 is classified as shareholders' equity in 2002 according to amendments of accounting principles and practices generally accepted in Japan.

LIABILITIES AND SHAREHOLDERS' EQUITY	Millions of Yen		Thousands of U.S. Dollars
	2002	2001	**2002**
CURRENT LIABILITIES:			
Short-term bank loans	**¥798**	¥910	**$6,000**
Notes and accounts payable:			
Subsidiaries	**36**	47	**271**
Income taxes payable	**1,448**	3,916	**10,887**
Deposits from subsidiaries	**2,076**	—	**15,609**
Accrued expenses	**5,384**	5,440	**40,481**
Other	**1,480**	1,585	**11,128**
Total current liabilities	**11,222**	11,898	**84,376**
LONG-TERM LIABILITIES:			
Long-term debt	**33**	33	**248**
Liability for retirement benefits	**5,707**	4,820	**42,910**
Other	**673**	843	**5,060**
Total long-term liabilities	**6,413**	5,696	**48,218**
SHAREHOLDERS' EQUITY:			
Common stock,			
Authorized:			
147,884 thousand shares in 2002			
80,000 thousand shares in 2001			
Issued:			
38,049 thousand shares in 2002			
40,165 thousand shares in 2001	**16,810**	16,810	**126,390**
Additional paid-in capital	**8,645**	16,645	**65,000**
Legal reserve	**4,203**	4,203	**31,602**
Land revaluation difference	**(2,021)**	(2,249)	**(15,195)**
Retained earnings	**17,390**	14,401	**130,752**
Unrealized loss on available-for-sale securities	**(289)**	(271)	**(2,173)**
Treasury stock—at cost			
491 thousand shares in 2002	**(1,930)**	—	**(14,511)**
Total shareholders' equity	**42,808**	49,539	**321,865**
TOTAL	**¥60,443**	¥67,133	**$454,459**

SUPPLEMENTAL NON-CONSOLIDATED STATEMENTS OF INCOME

YEARS ENDED MARCH 31, 2002 AND 2001

	Millions of Yen		Thousands of U.S. Dollars
	2002	2001	**2002**
NET SALES	**¥55,638**	¥55,543	**$418,330**
COST OF SALES	**39,176**	37,612	**294,556**
Gross profit	**16,462**	17,931	**123,774**
SELLING, GENERAL AND ADMINISTRATIVE EXPENSES	**7,151**	7,542	**53,766**
Operating income	**9,311**	10,389	**70,008**
OTHER INCOME (EXPENSES):			
Interest and dividends	**114**	160	**857**
Interest expense	**(11)**	(19)	**(83)**
(Loss) Gain on sales of marketable and investment securities—net	**(469)**	175	**(3,526)**
Loss on sales and disposal of fixed assets	**(183)**	(98)	**(1,376)**
Charge for full amount of transition obligation for employees' retirement benefits	**—**	(1,908)	**—**
Reversal of liability for retirement benefit for directors and corporate auditors	**93**	—	**699**
Other—net	**(117)**	(350)	**(880)**
Other expenses—net	**(573)**	(2,040)	**(4,309)**
INCOME BEFORE INCOME TAXES	**8,738**	8,349	**65,699**
INCOME TAXES			
Current	**4,201**	5,458	**31,586**
Deferred	**(285)**	(1,890)	**(2,143)**
Total income taxes	**3,916**	3,568	**29,443**
NET INCOME	**¥4,822**	¥ 4,781	**$36,256**

	Yen		U.S. Dollars
PER SHARE OF COMMON STOCK:			
Net income	**¥125.19**	¥119.03	**$0.94**
Diluted net income	**121.36**	118.97	**0.91**
Cash dividends applicable to the year	**42.50**	38.00	**0.32**

Notes: 1. The translation of Japanese yen amounts into U.S. dollar amounts have been made at the rate of ¥133 to $1, the approximate rate of exchange at March 29, 2002.

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 was 38,518 thousand shares for 2002 and 40,163 thousand shares for 2001.

CORPORATE DATA

(March 31, 2002)

MEITEC CORPORATION

Corporate Headquarters	8-5-26, Akasaka, Minato-ku, Tokyo 107-0052, Japan Tel.: (03) 5413-2600
Registered Corporate Headquarters	2-20-1, Kousei Dori, Nishi-ku, Nagoya, Aichi 451-0075, Japan Tel.: (052) 532-1811
Establishment	July 17, 1974
Common Stock	Authorized: 147,883,500 shares Issued: 38,048,773 shares
Shareholders	6,215
Employees (consolidated)	6,854
Lines of Business	Providing engineering services to major Japanese manufacturing companies in the fields of high-technology research and development
Consolidated Subsidiaries	Japan Outsourcing Inc. Japan Cast Inc. MeiService Co., Ltd. Three D Tec Inc. Information Management System Co., Ltd.

Board of Directors and Auditors

President and Chief Executive Officer	Kosuke Nishimoto
Executive Managing Director	Hiroshi Kousaka
Senior Managing Directors	Toru Takahashi Takashi Yamori
Directors	Yoshinori Takamine Toyoki Terao Kanji Fukuda
Auditors	Toshio Saikusa Masatoshi Saito* Kiyoshi Mamizu*

Note: Auditors with an asterisk are external auditors required by the Japanese Commercial Code's Special Law, Article 18, Section 1.

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 operating rates, as well as financial reports, interim reports, quarterly reports and performance-adjustment announcements.

MAIN CONTENTS

- Business Performance
- Stock Price
- Financial Results and Announcements
- Annual Report

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

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