MEITEC
THE ENGINEERING OUTSOURCING® COMPANY

MEITEC CORPORATION

SEMIANNUAL REPORT 2002

Six months ended September 30, 2001

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 we play 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 new consolidated management plan in April 2000.

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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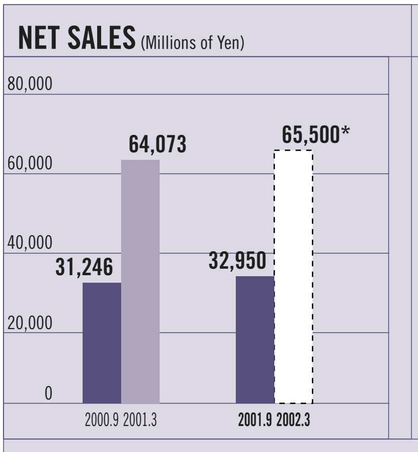
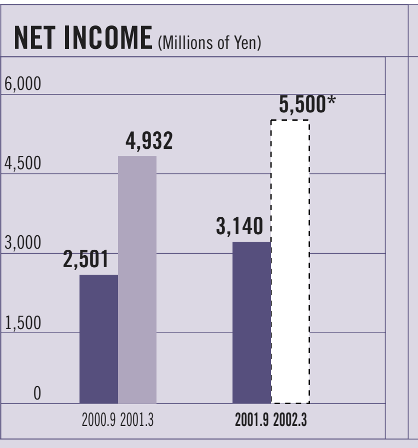
CONSOLIDATED FINANCIAL HIGHLIGHTS

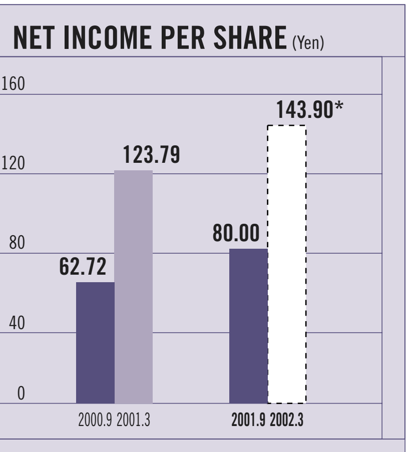
	Millions of Yen			Thousands of U.S. Dollars (Note 1)
	Six Months Ended September 30		Year Ended March 31	Six Months Ended September 30
	2001	2000	**2001**	**2001**
Net Sales	**¥32,950**	¥31,246	**¥64,073**	**$276,891**
Operating Income	**5,348**	5,352	**11,299**	**44,941**
Net Income	**3,140**	2,501	**4,932**	**26,387**
Total Assets	**63,004**	65,057	**69,778**	**529,445**
Total Shareholders' Equity	**45,569**	48,204	**49,764**	**382,933**
	Yen			U.S. Dollars
Per Share of Common Stock:				
Shareholders' Equity	**¥1,192.26**	¥1,211.05	**¥1,249.98**	**$10.02**
Cash Dividend	**19.00**	18.00	**38.00**	**0.16**
Net Income (Note 2)	**80.00**	62.72	**123.79**	**0.67**

Notes: 1. U.S. dollar amounts are translated from Japanese yen, for convenience only, at the rate of ¥119 to $1, the approximate exchange rate prevailing as of September 28, 2001.

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







*Figures for the period ending March 31, 2002 are forecast.

I would like to express my sincere appreciation for your continuing support of Meitec Corporation. I am pleased to present our semiannual report for the six months ended September 30, 2001.

In the period under review, the Japanese economy was afflicted by a sharp fall in capital investment in the manufacturing industry in addition to continued sluggish consumer spending triggered by the economic slowdown in the United States in autumn last year and the collapse of the Internet bubble. Many of Meitec's core clients are undergoing large-scale restructuring, including the reduction of employees and withdrawal from various businesses. The economic climate has become even more severe following the terrorist attacks in September 2001 in the United States. While the world economy has become increasingly unclear, cost competition in the global market has continued to intensify in the manufacturing industry as more resolute efforts are made to reduce costs in all sectors. However, in their endeavor to restructure, companies are increasingly taking such strategic initiatives as concentrating management resources in areas of strength rather than slashing costs across the board as was common in the past. Therefore, while market conditions were exceedingly severe during the period under review, the manufacturing industry—Meitec's core client base—is striving to cut costs while making ongoing efforts to boost market competitiveness and develop technology to ensure a position in the global market.

As a result, Meitec's Engineering Outsourcing (EO) and the Group's entire outsourcing operations posted a decrease in sales compared with the same period in the previous fiscal year in Industrial Machinery, Semiconductor Equipment and Devices, and Aircraft/Rocketry. However, the Company recorded an increase in sales compared with the same period in the previous fiscal year for the growth sectors of IT-Related Hardware, Electric and Electronic, and Semiconductor Design, as well as the core Automobile field. Benefiting from the marketing strategy under way since the previous fiscal year to increase orders from target clients, Meitec achieved a 90% utilization ratio of newly graduated engineering staff, with Japan Outsourcing Inc. at 82% at the end of September. On a non-consolidated basis, the interim operating ratio for Meitec engineers was 94.7%, surpassing initial estimates of 93.8%.

These business developments resulted in the Meitec Group's key divisions recording consolidated net sales of ¥31,733 million (US$266,664 thousand) in the EO business, and posting consolidated net sales of ¥1,217 million (US$10,227 thousand) in the general outsourcing business.

As a result, consolidated net sales increased 5.5% to ¥32,950 million (US$276,891 thousand), compared with the same period of the previous fiscal year. Consolidated operating income decreased 0.1% to ¥5,348 million (US$44,941 thousand) and net income grew 25.6% to ¥3,140 million (US$26,387 thousand).

The Company paid dividends of ¥19.0 (US$0.16) per share for the interim period, as was announced at the beginning of the period.

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

November 2001

Kosuke Nishimoto
President and Chief Executive Officer

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

From the previous fiscal year, 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.

As a result of Group marketing efforts, subsidiaries Japan Outsourcing, Japan Cast and 3D Tec received approximately 600 orders in the previous fiscal year, and approximately 240 orders in the period under review from Meitec clients.

The Meitec Group will continue pursuing business strategies that maximize management resources.

***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

Meitec is chiefly responsible for managing Engineering Outsourcing services. Japan Outsourcing and 3D Tec provide support for Meitec's business areas.

General Outsourcing Services

General outsourcing services refer to administrative outsourcing services primarily for the manufacturing industry handled by Japan Cast and insurance agency and other outsourcing services handled by MeiService.

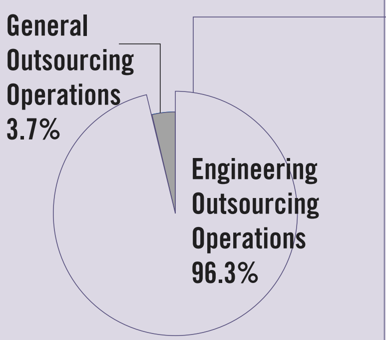
The Meitec Group's Complete Outsourcing Business Structure for the Manufacturing Industry

<table>
<tr><th colspan="5">MEITEC GROUP</th></tr>
<tr><td colspan="3">Engineering Outsourcing</td><td colspan="2">General Outsourcing</td></tr>
<tr><td rowspan="2">Meitec</td><td colspan="4">Subsidiaries</td></tr>
<tr><td>JO</td><td>3DT</td><td>JC</td><td>MS</td></tr>
</table>

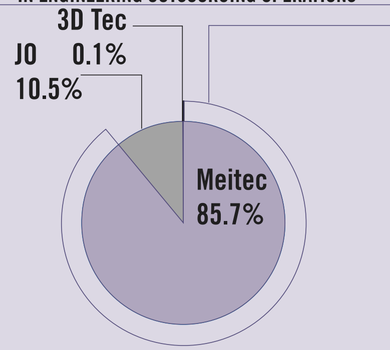
JO = Japan Outsourcing; 3DT = 3D Tec; JC = Japan Cast; MS = MeiService

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.

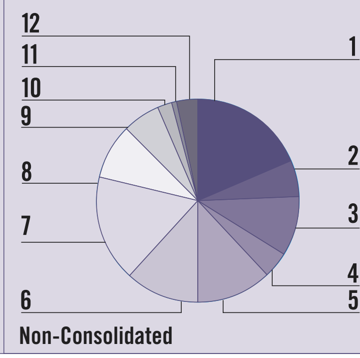
CONSOLIDATED REVENUES



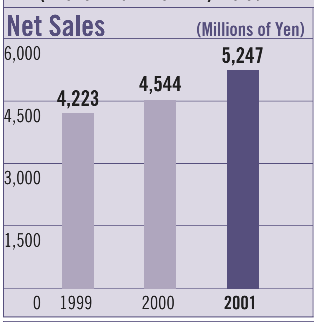
REVENUES BY GROUP COMPANY IN ENGINEERING OUTSOURCING OPERATIONS



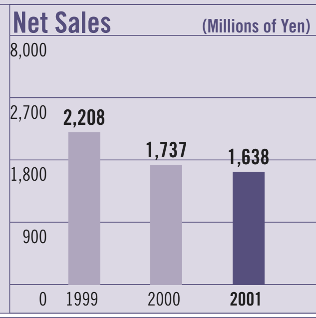
MEITEC REVENUES BY CUSTOMER



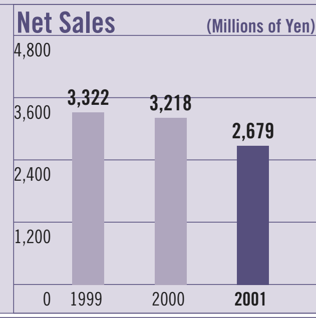
1 AUTOMOBILE/TRANSPORTATION EQUIPMENT (EXCLUDING AIRCRAFT) 18.6%



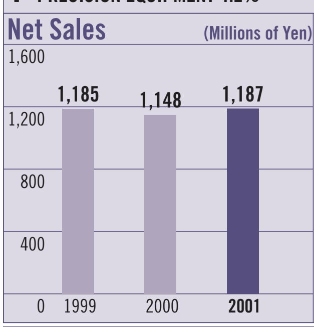
2 AIRCRAFT/ROCKETRY 5.8%



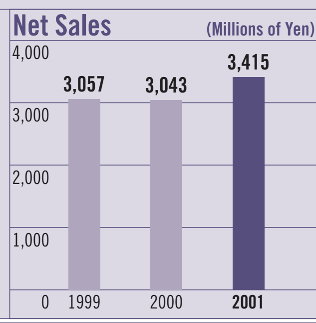
3 INDUSTRIAL MACHINERY/MACHINERY, EQUIPMENT AND SYSTEMS 9.5%



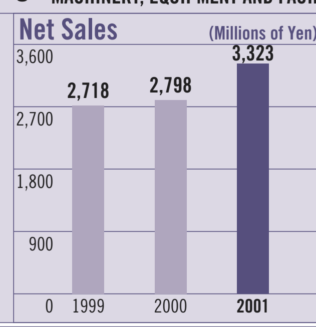
4 PRECISION EQUIPMENT 4.2%



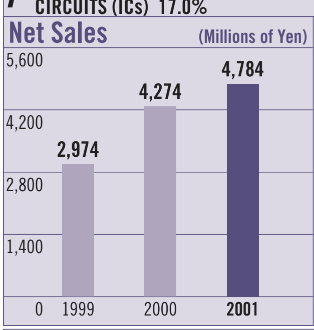
5 IT-RELATED HARDWARE AND DEVICES 12.0%



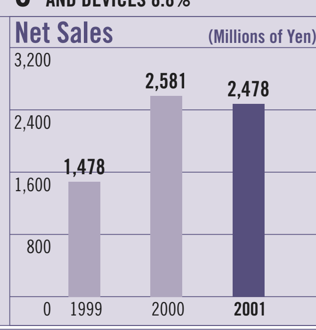
6 ELECTRIC AND ELECTRONIC/ELECTRIC MACHINERY, EQUIPMENT AND FACILITIES 11.8%



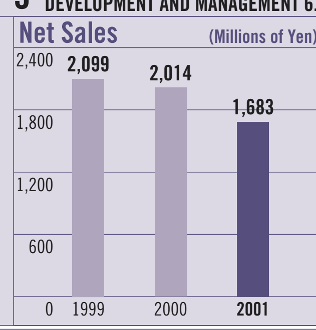
7 SEMICONDUCTORS AND INTEGRATED CIRCUITS (ICs) 17.0%



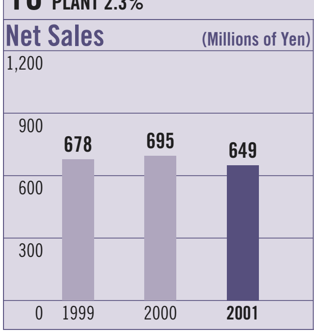
8 SEMICONDUCTOR EQUIPMENT AND DEVICES 8.8%



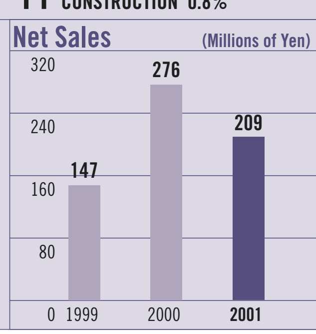
9 INFORMATION PROCESSING/SOFTWARE DEVELOPMENT AND MANAGEMENT 6.0%



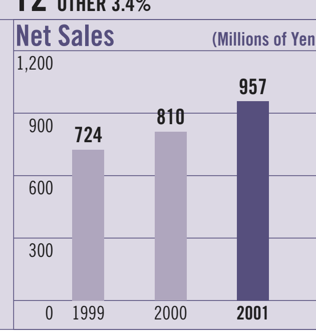
10 PLANT 2.3%



11 CONSTRUCTION 0.8%



12 OTHER 3.4%



SEMI-ANNUAL CONSOLIDATED BALANCE SHEETS <UNAUDITED>

SEPTEMBER 30, 2001 AND 2000

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
ASSETS	**2001**	2000	**2001**
CURRENT ASSETS:			
Cash and cash equivalents	**¥14,693**	¥12,276	**$123,471**
Short-term investments (Note 3)	**3,489**	7,106	**29,319**
Notes and accounts receivable:			
Trade notes and accounts	**11,277**	11,270	**94,765**
Allowance for doubtful accounts	**(29)**	(38)	**(244)**
Inventories (Note 4)	**192**	309	**1,613**
Deferred tax assets	**1,601**	1,416	**13,454**
Prepaid expenses and other current assets	**900**	744	**7,563**
Total current assets	**32,123**	33,083	**269,941**
PROPERTY AND EQUIPMENT (Note 5):			
Land	**4,759**	5,551	**39,992**
Buildings and structures	**21,799**	21,978	**183,185**
Machinery and equipment	**185**	185	**1,555**
Furniture and fixtures	**6,248**	6,256	**52,504**
Total	**32,991**	33,970	**277,236**
Accumulated depreciation	**(10,960)**	(9,964)	**(92,101)**
Net property and equipment	**22,031**	24,006	**185,135**
INVESTMENTS AND OTHER ASSETS:			
Investment securities (Note 3)	**2,287**	2,574	**19,218**
Leasehold deposits	**887**	845	**7,454**
Golf and other membership	**291**	318	**2,445**
Deferred tax assets	**2,610**	1,516	**21,933**
Deferred tax asset for land revaluation	**1,464**	1,629	**12,303**
Other assets	**1,311**	1,086	**11,016**
Total investments and other assets	**8,850**	7,968	**74,369**
TOTAL	**¥63,004**	¥65,057	**$529,445**

See notes to semi-annual consolidated financial statements.

LIABILITIES AND SHAREHOLDERS' EQUITY	Millions of Yen 2001	Millions of Yen 2000	Thousands of U.S. Dollars (Note 1) 2001
CURRENT LIABILITIES:			
Short-term bank loans (Note 5)	**¥ 866**	¥ 1,270	**$ 7,277**
Current portion of long-term debt (Note 5)	**89**	277	**748**
Trade notes and accounts payable	**19**	46	**160**
Income taxes payable	**2,304**	3,124	**19,361**
Accrued expenses	**6,508**	6,259	**54,689**
Other current liabilities	**1,484**	1,633	**12,471**
Total current liabilities	**11,270**	12,609	**94,706**
LONG-TERM LIABILITIES:			
Long-term debt (Note 5)	**33**	125	**277**
Liability for retirement benefits (Note 6)	**5,226**	3,597	**43,916**
Other	**843**	522	**7,084**
Total long-term liabilities	**6,102**	4,244	**51,277**
MINORITY INTERESTS	**63**	—	**529**
SHAREHOLDERS' EQUITY (Note 7):			
Common stock, ¥50 par value:			
Authorized: 148,546 thousand shares in 2001			
80,000 thousand shares in 2000			
Issued and outstanding:			
38,711 thousand shares in 2001			
40,163 thousand shares in 2000	**16,810**	16,809	**141,261**
Additional paid-in capital	**10,931**	16,644	**91,857**
Land revaluation loss (Note 2(i))	**(2,021)**	(2,249)	**(16,983)**
Retained earnings	**22,219**	18,480	**186,714**
Net unrealized loss on available-for-sale securities	**(442)**	(88)	**(3,714)**
Total	**47,497**	49,596	**399,135**
Treasury stock—at cost	**(1,928)**	(1,392)	**(16,202)**
Total shareholders' equity	**45,569**	48,204	**382,933**
TOTAL	**¥63,004**	¥65,057	**$529,445**

SEMI-ANNUAL CONSOLIDATED STATEMENTS OF INCOME <UNAUDITED>

SIX-MONTH PERIODS ENDED SEPTEMBER 30, 2001 AND 2000

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2001	2000	**2001**
NET SALES	**¥32,950**	¥31,246	**$276,891**
COST OF SALES	**23,484**	21,706	**197,345**
Gross profit	**9,466**	9,540	**79,546**
SELLING, GENERAL AND ADMINISTRATIVE EXPENSES	**4,118**	4,188	**34,605**
Operating income	**5,348**	5,352	**44,941**
OTHER INCOME (EXPENSES):			
Interest and dividends	**16**	19	**135**
Interest expense	**(6)**	(12)	**(50)**
Gain on sale of marketable and investment securities	**0**	157	**0**
Loss on sale and disposal of fixed assets	**(27)**	(39)	**(227)**
Reversal of liability for retirement benefits for directors and corporate auditors	**102**	—	**857**
Cumulative effect of the application of the new accounting standards for retirement benefits (Note 2(g))	**—**	(981)	**—**
Other—net	**74**	(76)	**622**
Other income (expenses)—net	**159**	(932)	**1,337**
INCOME BEFORE INCOME TAXES	**5,507**	4,420	**46,278**
INCOME TAXES (Note 9):			
Current	**2,332**	3,161	**19,597**
Deferred	**44**	(1,242)	**370**
Total	**2,376**	1,919	**19,967**
MINORITY INTEREST	**9**	—	**76**
NET INCOME	**¥ 3,140**	¥ 2,501	**$ 26,387**

	Yen		U.S. Dollars
PER SHARE OF COMMON STOCK (Note 2(n)):			
Net income	**¥80.00**	¥62.72	**$0.67**
Diluted net income	**78.95**	62.68	**0.66**
Cash dividends applicable to the six-month period	**19.00**	18.00	**0.16**

See notes to semi-annual consolidated financial statements.

SEMI-ANNUAL CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY <UNAUDITED>

YEAR ENDED MARCH 31 AND SIX-MONTH PERIOD ENDED SEPTEMBER 30, 2001

	Thousands	Millions of Yen					
	Outstanding Number of Shares of Common Stock	Common Stock	Additional Paid-in Capital	Land Revaluation Loss	Retained Earnings	Net Unrealized Loss on Available-for-sale Securities	Treasury Stock
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)	—	—
Purchase of treasury stock—net	—	—	—	—	—	—	(552)
Conversion of convertible bonds	6	4	4	—	—	—	—
Net change in 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	—	—	—	—	3,140	—	—
Cash dividends, ¥20 per share	—	—	—	—	(796)	—	—
Bonuses to directors and corporate auditors	—	—	—	—	(93)	—	—
Purchase of treasury stock—net	—	—	—	—	—	—	(561)
Acquisition of treasury stock for retirement	(1,454)	—	(5,714)	—	—	—	—
Reversal of land revaluation loss	—	—	—	228	(228)	—	—
Net change in unrealized loss on available-for-sale securities	—	—	—	—	—	(171)	—
BALANCE, SEPTEMBER 30, 2001	**38,711**	**¥16,810**	**¥10,931**	**¥(2,021)**	**¥22,219**	**¥(442)**	**¥(1,928)**

	Thousands of U.S. Dollars (Note 1)					
	Common Stock	Additional Paid-in Capital	Land Revaluation Loss	Retained Earnings	Net Unrealized Loss on Available-for-sale Securities	Treasury Stock
BALANCE, MARCH 31, 2001	$ 141,261	$ 139,874	$ (18,899)	$ 169,714	$ (2,277)	$ (11,487)
Net income	—	—	—	26,387	—	—
Cash dividends, $0.17 per share	—	—	—	(6,689)	—	—
Bonuses to directors and corporate auditors	—	—	—	(782)	—	—
Purchase of treasury stock—net	—	—	—	—	—	(4,715)
Acquisition of treasury stock for retirement	—	(48,017)	—	—	—	—
Reversal of land revaluation loss	—	—	1,916	(1,916)	—	—
Net change in unrealized loss on available-for-sale securities	—	—	—	—	(1,437)	—
BALANCE, SEPTEMBER 30, 2001	**$141,261**	**$ 91,857**	**$(16,983)**	**$186,714**	**$(3,714)**	**$(16,202)**

See notes to semi-annual consolidated financial statements.

MEITEC CORPORATION AND CONSOLIDATED SUBSIDIARIES

SEMI-ANNUAL CONSOLIDATED STATEMENTS OF CASH FLOWS <UNAUDITED>

SIX-MONTH PERIODS ENDED SEPTEMBER 30, 2001 AND 2000

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2001	2000	**2001**
OPERATING ACTIVITIES:			
Income before income taxes	**¥ 5,507**	¥ 4,420	**$ 46,278**
Adjustments for:			
Income taxes—paid	**(4,245)**	(927)	**(35,672)**
Depreciation and amortization	**591**	653	**4,966**
Provision for retirement benefits	**214**	1,145	**1,798**
Changes in assets and liabilities:			
Decrease (increase) in trade receivables	**117**	(648)	**983**
Increase in inventories	**(56)**	(127)	**(471)**
Increase in accrued expenses	**223**	680	**1,874**
(Decrease) increase in other liabilities	**(393)**	465	**(3,302)**
Other—net	**(201)**	(94)	**(1,689)**
Total adjustments	**(3,750)**	1,147	**(31,513)**
Net cash provided by operating activities	**1,757**	5,567	**14,765**
INVESTING ACTIVITIES:			
Purchases of short-term investments	**(3,832)**	(7,329)	**(32,202)**
Proceeds from sale of short-term investments	**1,948**	2,230	**16,370**
Acquisition of property and equipment	**(66)**	(121)	**(555)**
Proceeds from sale of property and equipment	**504**	11	**4,235**
Purchases of investment securities	**(225)**	(754)	**(1,891)**
Acquisition of other assets	**(297)**	(417)	**(2,496)**
Other—net	**142**	842	**1,194**
Net cash used in investing activities	**(1,826)**	(5,538)	**(15,345)**
FINANCING ACTIVITIES:			
(Decrease) increase in short-term bank loans—net	**(44)**	72	**(370)**
Repayments of long-term debt	**(204)**	(803)	**(1,714)**
Acquisition of treasury stock	**(573)**	(622)	**(4,815)**
Dividends paid	**(796)**	(518)	**(6,689)**
Acquisition of treasury stock for retirement	**(5,714)**	—	**(48,017)**
Other—net	**13**	226	**110**
Net cash used in financing activities	**(7,318)**	(1,645)	**(61,495)**
NET DECREASE IN CASH AND CASH EQUIVALENTS	**(7,387)**	(1,616)	**(62,075)**
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD	**22,080**	13,892	**185,546**
CASH AND CASH EQUIVALENTS, END OF PERIOD	**¥14,693**	¥12,276	**$123,471**
NON-CASH FINANCING ACTIVITIES:			
Convertible bonds converted into common stock and additional paid-in capital	**¥ —**	¥ 6	**$ —**

See notes to semi-annual consolidated financial statements.

NOTES TO SEMI-ANNUAL CONSOLIDATED FINANCIAL STATEMENTS

SIX-MONTH PERIODS ENDED SEPTEMBER 30, 2001 AND 2000 <UNAUDITED>

1. BASIS OF PRESENTING SEMI-ANNUAL CONSOLIDATED FINANCIAL STATEMENTS

The accompanying semi-annual 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 semi-annual 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 semi-annual consolidated financial statements, certain reclassifications and rearrangements have been made to the semi-annual consolidated financial statements issued domestically in order to present them in a form which is more familiar to readers outside Japan.

The semi-annual 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 ¥119 to $1, the approximate rate of exchange at September 28, 2001. 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.

Certain reclassifications have been made in the 2000 consolidated financial statements to conform to the classifications used in 2001.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Consolidation

The semi-annual consolidated financial statements for the six-month periods ended September 30, 2001 and 2000 include the accounts of the Company and four (three for 2000) subsidiaries (together the “Group”). Three D Tec Inc., a new subsidiary, was incorporated on December 12, 2000. 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 and that are exposed to insignificant risk of changes in value. Cash equivalents include time deposits and certificate of 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

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:

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 are those securities not classified as held-to-maturity, are reported at fair value, with unrealized gains and losses, net of applicable taxes, reported in a separate component of shareholders’ equity. The cost of securities sold is determined based on the moving-average method.

(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 and from 3 to 15 years for furniture and fixtures.

(f) 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.

(g) Retirement and Pension Plans

Until March 31, 2000, under the employees' retirement plans for the Group, 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.

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 cumulative effect of the application of the new accounting standard was charged to income during the year ended March 31, 2001. Accordingly, ¥981 million, representing one half of the total cumulative effect amount was charged to income for the six-month period ended September 30, 2000.

A liability for retirement benefits to directors and corporate auditors is provided at the amount that would be paid if they retired at the balance sheet date, subject to approval of the shareholders' meeting (in accordance with the Japanese Commercial Code (the "Code")).

(h) 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. The 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 was ¥463 million ($3,891 thousand) and ¥142 million at September 30, 2001 and 2000, respectively.

(i) Land Revaluation

Under the "Law of Land Revaluation," promulgated and revised on March 31, 1998 and 1999, respectively, the Company elected a one-time revaluation of its own-use land based on real estate appraisal information as of March 31, 2000. The resulting land revaluation loss represents unrealized devaluation of land and was stated, net of income taxes, as a component of shareholders' equity. There was no effect on the semi-annual consolidated statement of income. Due to sales of related land, the land revaluation loss decreased during the six-month period ended September 30, 2001. The details of the one-time revaluation for land remaining at September 30, 2001 were as follows:

Land before revaluation:	¥8,244 million
Land after revaluation:	¥4,759 million
Land revaluation loss:	¥2,021 million (net of income taxes of ¥1,464 million)

At September 30, 2001, the carrying amount of the land after the one-time revaluation exceeded the market value by ¥764 million ($6,420 thousand).

(j) 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.

(k) Income Taxes

The current 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.

(l) Appropriations of Retained Earnings

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

(m) Foreign Currency Transactions

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 such translation are recognized in the statements of income to the extent that they are not hedged by forward exchange contracts.

(n) 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 period, retroactively adjusted for stock splits. The average number of common shares used in the computation was 39,254 thousand shares for 2001 and 39,875 thousand shares for 2000.

Diluted net income per share of common stock assumes full conversion of the outstanding convertible bonds at the beginning of the six-month period (or at the time of issuance, if later) with an applicable adjustment for interest expense, net of tax.

Cash dividends per share presented in the accompanying semi-annual consolidated statements of income are dividends applicable to the respective periods including dividends to be paid after the end of the period.

3. SHORT-TERM INVESTMENTS AND INVESTMENT SECURITIES

Short-term investments and investment securities at September 30, 2001 and 2000 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2001	2000	**2001**
Short-term investments:			
Time deposits	**¥3,089**	¥7,106	**$25,958**
Bank bonds	**400**	—	**3,361**
Total	**¥3,489**	¥7,106	**$29,319**
Investment securities:			
Equity securities	**¥1,408**	¥1,565	**$11,832**
Other	**879**	1,009	**7,386**
Total	**¥2,287**	¥2,574	**$19,218**

Information regarding each category of securities classified as available-for-sale and held-to-maturity at September 30, 2001 and 2000 was as follows:

September 30, 2001

	Millions of Yen			
	Cost	Unrealized Gains	Unrealized Losses	Fair Value
Available-for-sale:				
Equity securities	**¥1,535**	**¥41**	**¥(387)**	**¥1,189**
Other	**1,101**	**—**	**(424)**	**677**
Held-to-maturity:				
Bank bonds	**400**	**0**	**0**	**400**
Corporate bonds	**202**	**—**	**(2)**	**200**

	Thousands of U.S. Dollars			
	Cost	Unrealized Gains	Unrealized Losses	Fair Value
Available-for-sale:				
Equity securities	**$12,899**	**$345**	**$(3,252)**	**$9,992**
Other	**9,252**	**—**	**(3,563)**	**5,689**
Held-to-maturity:				
Bank bonds	**3,361**	**0**	**0**	**3,361**
Corporate bonds	**1,697**	**—**	**(17)**	**1,680**

September 30, 2000

	Millions of Yen		
	Cost	Fair Value	Unrealized Losses
Available-for-sale:			
Equity securities	**¥1,463**	**¥1,403**	**¥(60)**
Other	**1,101**	**1,009**	**(92)**

Available-for-sale securities whose fair value is not readily determinable at September 30, 2001 and 2000 were as follows:

	Carrying Amount		
	Millions of Yen		Thousands of U.S. Dollars
	2001	2000	**2001**
Equity securities	**¥219**	¥162	**$1,840**
Total	**¥219**	¥162	**$1,840**

4. INVENTORIES

Inventories at September 30, 2001 and 2000 consisted mainly of work in process related to engineering outsourcing.

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

Short-term bank loans at September 30, 2001 and 2000 consisted mainly of loan agreements with banks. The annual interest rates applicable to the short-term bank loans ranged from 0.36% to 0.49% and 0.42% to 1.50% at September 30, 2001 and 2000, respectively.

Long-term debt at September 30, 2001 and 2000 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2001	2000	**2001**
Unsecured 3.2% yen convertible bonds, due on March 31, 2004	**¥ 33**	¥ 36	**$ 277**
Loans from banks, due within one year with interest rates ranging from 1.66% to 1.68% (2001) and from 1.01% to 1.80% (2000)	**89**	366	**748**
Total	**122**	402	**1,025**
Less current portion	**(89)**	(277)	**(748)**
Long-term debt, less current portion	**¥ 33**	¥ 125	**$ 277**

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
Type of issue	Public
Maturity	March 31, 2004
Term of conversion	From April 3, 1995 to March 30, 2004
Conversion price (per share*) at September 30, 2001	¥1,394
Balance of debt securities at September 30, 2001	¥33 million
Accumulated number of shares issued upon conversion through September 30, 2001	5,715,096 shares
Number of additional shares that would be issued upon conversion at September 30, 2001	23,672

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

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 ($4,202 thousand).

Annual maturities of long-term debt at September 30, 2001 were as follows:

Year Ending September 30	Millions of Yen	Thousands of U.S. Dollars
2002	**¥ 89**	**$ 748**
2003	**—**	**—**
2004	**33**	**277**
Total	**¥122**	**$1,025**

The carrying amounts of assets pledged as collateral for short-term bank loans of ¥250 million ($2,101 thousand) at September 30, 2001 were as follows:

	Millions of Yen	Thousands of U.S. Dollars
Building—net of accumulated depreciation	**¥337**	**$2,832**
Land	**489**	**4,109**
Total	**¥826**	**$6,941**

6. RETIREMENT AND PENSION PLAN

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).

Effective July 1, 2001, based on the amendment of the Articles of Incorporation, the Group eliminated the retirement benefits to 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 not been eliminated, selling general and administrative expenses decreased by ¥14 million ($118 thousand) and income before income taxes increased by ¥116 million ($975 thousand) for the six-month period ended September 30, 2001.

The liability for retirement benefits for directors and corporate auditors in the amount of ¥134 million at September 30, 2000, was included in liability for retirement benefits in the accompanying semi-annual consolidated balance sheet.

7. SHAREHOLDERS' EQUITY

The Code requires at least 50% of the issue price of new shares to be designated as stated capital as determined by resolution of the Board of Directors. Proceeds in excess of amounts designated as stated capital are credited to additional paid-in capital.

Effective October 1, 2001, the Code provides 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 the total of the legal reserve and additional paid-in capital equals 25% of stated capital. If the total of the legal reserve and additional paid-in capital exceeds 25% of stated capital, the excess can be transferred to retained earnings by resolution of the shareholders.

The Code permits companies to transfer portions 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 portions of unappropriated retained earnings, available for dividends, to stated capital by resolution of the shareholders. Under the Code, companies may issue new common shares to existing shareholders without consideration as a stock split pursuant to resolution of the Board of Directors.

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.

8. STOCK OPTION PLAN

Under certain stock option plans approved by the Company's shareholders, the Company has granted stock options to directors and key employees to provide an added incentive to achieve good business results. 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 shareholders' equity at September 30, 2001 includes treasury stock purchased for the purpose of reissuance in connection with the expected stock option exercised under the above plans.

9. INCOME TAXES

The Group is 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 six-month periods ended September 30, 2001 and 2000.

10. LEASES

The Group leases certain furniture and fixtures and other assets.

Total rental expenses under the above leases for the six-month periods ended September 30, 2001 and 2000 were ¥15 million ($126 thousand) and ¥35 million, respectively.

Pro forma information for leased property under finance leases that do not transfer ownership of the leased property to the lessee on an "as if capitalized" basis at September 30, 2001 and 2000 was as follows:

	Millions of Yen					
	2001			2000		
	Furniture and Fixtures	Other	Total	Furniture and Fixtures	Other	Total
Acquisition cost	**¥126**	**¥13**	**¥139**	¥324	¥13	¥337
Accumulated depreciation	**103**	**9**	**112**	258	5	263
Net leased property	**¥ 23**	**¥ 4**	**¥ 27**	¥ 66	¥ 8	¥ 74

	Thousands of U.S. Dollars		
	2001		
	Furniture and Fixtures	Other	Total
Acquisition cost	**$1,059**	**$109**	**$1,168**
Accumulated depreciation	**866**	**76**	**942**
Net leased property	**$ 193**	**$ 33**	**$ 226**

Obligations under finance leases at September 30, 2001 and 2000:

	Millions of Yen		Thousands of U.S. Dollars
	2001	2000	**2001**
Due within one year	**¥18**	¥47	**$151**
Due after one year	**9**	27	**75**
Total	**¥27**	¥74	**$226**

Depreciation expense, which was not reflected in the accompanying semi-annual consolidated statements of income computed by the straight-line method, was ¥15 million ($126 thousand) and ¥35 million for the six-month periods ended September 30, 2001 and 2000, respectively.

SUPPLEMENTAL SEMI-ANNUAL NON-CONSOLIDATED BALANCE SHEETS <UNAUDITED>

SEPTEMBER 30, 2001 AND 2000

	Millions of Yen		Thousands of U.S. Dollars
ASSETS	**2001**	2000	**2001**
CURRENT ASSETS:			
Cash and cash equivalents	**¥14,293**	¥10,802	**$120,109**
Short-term investments	**3,400**	7,001	**28,571**
Notes and accounts receivable:			
Trade notes and accounts	**10,058**	10,136	**84,521**
Allowance for doubtful accounts	**(21)**	(31)	**(176)**
Inventories	**192**	309	**1,613**
Deferred tax assets	**1,410**	1,285	**11,849**
Prepaid expenses and other current assets	**870**	701	**7,310**
Total current assets	**30,202**	30,203	**253,797**
PROPERTY AND EQUIPMENT:			
Land	**4,759**	4,910	**39,992**
Buildings and structures	**21,761**	21,813	**182,866**
Machinery and equipment	**185**	185	**1,555**
Furniture and fixtures	**6,159**	6,159	**51,756**
Total	**32,864**	33,067	**276,169**
Accumulated depreciation	**(10,900)**	(9,850)	**(91,597)**
Net property and equipment	**21,964**	23,217	**184,572**
INVESTMENTS AND OTHER ASSETS:			
Investment securities	**2,282**	2,568	**19,176**
Investments in subsidiaries	**680**	560	**5,714**
Treasury stock	**—**	1,391	**—**
Leasehold deposits	**777**	691	**6,529**
Golf and other membership	**252**	276	**2,118**
Deferred tax assets	**2,535**	1,454	**21,303**
Deferred tax asset for land revaluation	**1,464**	1,629	**12,303**
Other assets	**1,264**	1,040	**10,622**
Total investments and other assets	**9,254**	9,609	**77,765**
TOTAL	**¥61,420**	¥63,029	**$516,134**

The translations of Japanese yen amounts into U.S. dollar amounts have been made at the rate of ¥119 to $1, the approximate rate of exchange at September 28, 2001.

LIABILITIES AND SHAREHOLDERS' EQUITY	Millions of Yen 2001	Millions of Yen 2000	Thousands of U.S. Dollars 2001
CURRENT LIABILITIES:			
Short-term bank loans	**¥ 866**	¥ 1,120	**$ 7,277**
Income taxes payable	**2,246**	2,903	**18,874**
Accrued expenses	**5,598**	5,465	**47,042**
Other current liabilities	**2,966**	1,470	**24,924**
Total current liabilities	**11,676**	10,958	**98,117**
LONG-TERM LIABILITIES:			
Long-term debt	**33**	36	**277**
Liability for retirement benefits	**5,033**	3,445	**42,294**
Other	**843**	522	**7,084**
Total long-term liabilities	**5,909**	4,003	**49,655**
SHAREHOLDERS' EQUITY:			
Common stock, ¥50 par value:			
Authorized: 148,546 thousand shares in 2001			
80,000 thousand shares in 2000			
Issued and outstanding:			
38,711 thousand shares in 2001			
40,163 thousand shares in 2000	**16,810**	16,809	**141,261**
Additional paid-in capital	**10,931**	16,644	**91,857**
Legal reserve	**4,203**	4,201	**35,319**
Land revaluation loss	**(2,021)**	(2,249)	**(16,983)**
Retained earnings	**16,282**	12,752	**136,824**
Net unrealized loss on available-for-sale securities	**(442)**	(89)	**(3,714)**
Total shareholders' equity	**45,763**	48,068	**384,564**
Treasury stock—at cost	**(1,928)**	—	**(16,202)**
Total shareholders' equity	**43,835**	48,068	**368,362**
TOTAL	**¥61,420**	¥63,029	**$516,134**

SUPPLEMENTAL SEMI-ANNUAL NON-CONSOLIDATED STATEMENTS OF INCOME <UNAUDITED>

SIX-MONTH PERIODS ENDED SEPTEMBER 30, 2001 AND 2000

	Millions of Yen		Thousands of U.S. Dollars
	2001	2000	**2001**
NET SALES	**¥28,250**	¥27,144	**$237,395**
COST OF SALES	**19,748**	18,583	**165,950**
Gross profit	**8,502**	8,561	**71,445**
SELLING, GENERAL AND ADMINISTRATIVE EXPENSES	**3,497**	3,625	**29,387**
Operating income	**5,005**	4,936	**42,058**
OTHER INCOME (EXPENSES):			
Interest and dividends	**99**	131	**832**
Interest expense	**(5)**	(9)	**(42)**
Gain on sale of marketable and investment securities	**0**	172	**0**
Loss on sale and disposal of fixed assets	**(21)**	(36)	**(176)**
Reversal of liability for retirement benefits for directors and corporate auditors	**93**	—	**782**
Cumulative effect of the application of the new accounting standards for retirement benefits	**—**	(954)	**—**
Other—net	**23**	(74)	**193**
Other income (expenses)—net	**189**	(770)	**1,589**
INCOME BEFORE INCOME TAXES	**5,194**	4,166	**43,647**
INCOME TAXES:			
Current	**2,277**	2,928	**19,134**
Deferred	**(71)**	(1,176)	**(597)**
Total	**2,206**	1,752	**18,537**
NET INCOME	**¥ 2,988**	¥ 2,414	**$ 25,110**

	Yen		U.S. Dollars
PER SHARE OF COMMON STOCK:			
Net income	**¥76.13**	¥60.12	**$0.64**
Diluted net income	**75.13**	60.09	**0.63**
Cash dividends applicable to the six-month period	**19.00**	18.00	**0.16**

The translations of Japanese yen amounts into U.S. dollar amounts have been made at the rate of ¥119 to $1, the approximate rate of exchange at September 28, 2001.

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	
Establishment	July 17, 1974	
Common Stock	Authorized: 148,546,100 shares Issued: 38,711,373 shares	
Shareholders	6,736	
Employees (Consolidated)	7,186	
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.	
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 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.

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- Stock Price
- Financial Results and Announcements
- Annual Report

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

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