MEITEC
THE ENGINEERING OUTSOURCING® COMPANY

MEITEC CORPORATION

SEMIANNUAL REPORT 2001

Six months ended September 30, 2000

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.

Meitec is the leader in the outsourcing industry in Japan, 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 both the Tokyo and Nagoya stock exchanges, 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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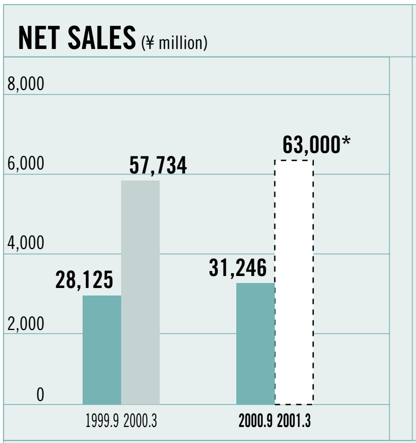
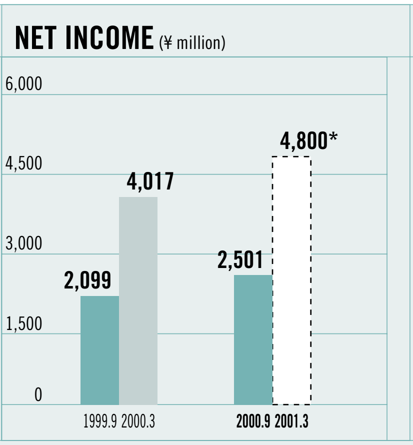
CONSOLIDATED FINANCIAL HIGHLIGHTS

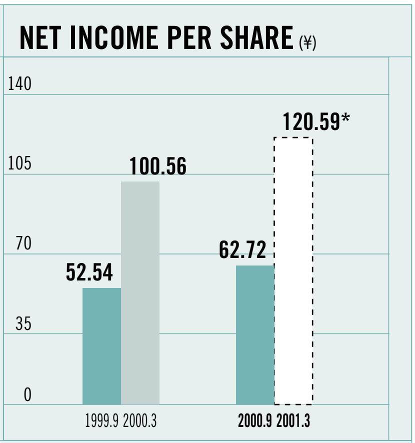
	Millions of Yen			Thousands of U.S. Dollars (Note 1)
	Six months Ended September 30		Years Ended March 31	Six months Ended September 30
	2000	1999	**2000**	**2000**
Net Sales	**¥31,246**	¥28,125	**¥57,734**	**$289,315**
Operating Income	**5,352**	3,636	**8,242**	**49,556**
Net Income	**2,501**	2,099	**4,017**	**23,157**
Total Assets	**65,057**	61,799	**59,821**	**602,380**
Total Shareholders' Equity	**48,204**	47,606	**46,940**	**446,333**
	Yen			U.S. Dollars
Per Share of Common Stock:				
Shareholders' Equity	**¥1,211.05**	¥1,191.49	**¥1,175.47**	**$11.21**
Cash Dividend	**18.00**	10.00	**23.00**	**0.17**
Net Income (Note 2)	**62.72**	52.54	**100.56**	**0.58**

Notes: 1. U.S. dollar amounts are translated from Japanese yen, for convenience only, at the rate of ¥108 to $1, the approximate exchange rate prevailing as of September 29, 2000.

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, 2001 are forecast.

I would like to express my sincere appreciation for your continuing support to Meitec Corporation. And I am pleased to present our semiannual report for the six months ended September 30, 2000.

In the period under review, the Japanese economy failed to achieve substantial growth as a result of such factors as sluggish consumer spending, despite signs of activity centered on IT in certain sectors of industry, demonstrated by the apparent recovery in the manufacturing industry from capital investment. However, the manufacturing industry—Meitec's core client base—is undergoing rigorous restructuring. Manufacturing companies are bolstering market competitiveness to prosper amid competition in global markets. Accordingly, demand for Meitec's engineering outsourcing (EO) business and the outsourcing business of the Meitec Group as a whole expanded sharply at the outset of the period under review. In particular, orders grew from the second quarter not only in the growth fields of IT, electronics and semiconductors, but also in the automotive and industrial machinery fields.

The largest factor behind the Meitec Group's interim performance was its success in addressing demand, which exceeded initial forecasts, in the aforementioned fields for newly graduated engineering staff. Although Meitec projected 100% assignment of staff by the end of the interim period (September 2000), this target was already achieved by late August. As a result, the Company achieved a 96.8% utilization ratio of engineering staff, exceeding its initial forecast of 94.0%.

As a part of Meitec's medium- and long-term strategic efforts to distinguish itself from the competition, the Company acquired ISO 9001 certification in May 2000—a first in the EO industry. This achievement clearly communicates to clients Meitec's commitment to quality assurance in services and further distinguishes the Company from the competition.

In the Meitec Group's key divisions, consolidated net sales of ¥30,192 million (US$279.6 million) were recorded in the EO business, and consolidated net sales of ¥1,053 million (US$9.8 million) were posted in the general outsourcing business.

As a result, consolidated net sales totaled ¥31,246 million (US$289.3 million), operating income increased 47.2% to ¥5,352 million (US$49.6 million), and net income increased 19.2% to ¥2,501 million (US$23.2 million).

The Company paid a dividend of ¥18.0 (US$0.17) per share during the period under review, upwardly adjusted to reflect improved performance.

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

November 2000

Kosuke Nishimoto
President and Chief Executive Officer

In the term under review, Meitec launched its new consolidated management plan, New VISION 21, to respond to the age of consolidated management and spur growth and development in the Meitec Group. Marshalling the comprehensive powers of Meitec, Japan Outsourcing Inc., and Japan Cast Inc., the plan aims to establish a system that meets the needs of the manufacturing industry for complete outsourcing operations in design and development, covering everything from high-level engineering development to a variety of outsourcing in less advanced technical tasks. Meitec believes that pursuing this Group business strategy will strengthen its position as number one in the outsourcing industry in Japan.

The core business of the Meitec Group, comprising Meitec and its three subsidiaries, centers on Engineering Outsourcing services* and general outsourcing services.

***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

Engineering Outsourcing is provided mainly by Meitec and partly by Japan Outsourcing.

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 Co., Ltd.

Japan Cast was established in February 2000 and began operations in July 2000.

Establishment of the Joint Venture 3D Tech

The Meitec Group is pursuing a business strategy of forming strategic alliances with other companies to enhance the value-added features of its business and increase profitability. In October 2000, Meitec reached a basic agreement with Arrk Corp., a specialist in molds and prototype production, for the establishment of the joint venture 3D Tech, which will conduct business using Meitec's three-dimensional (3-D) computer-aided design (CAD) technology. Plans call for operations to begin in January 2001.

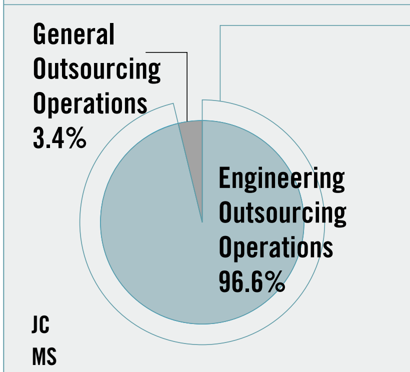
The Meitec Group's Complete Outsourcing Business Structure for the Manufacturing Industry

<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 (Note)</td><td>JC</td><td>MS</td></tr>
</table>

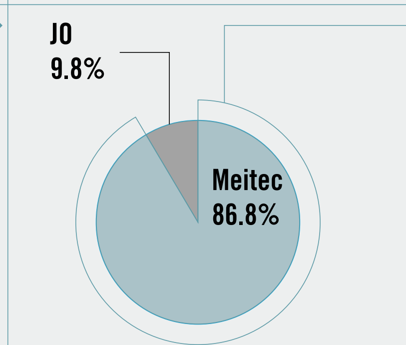
JO = Japan Outsourcing; 3DT = 3D Tech; JC = Japan Cast; MS = MeiService

Note: Plans call for 3D Tech to be established in December 2000, with operations beginning in January 2001.

CONSOLIDATED REVENUES

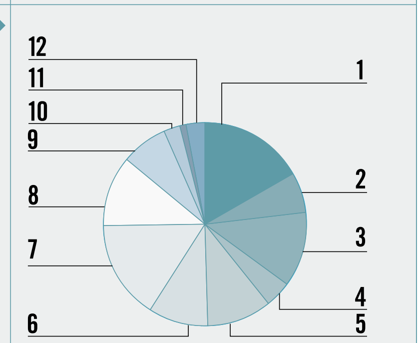


REVENUES BY GROUP COMPANY



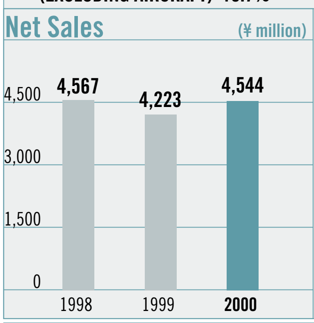
Engineering Outsourcing Operations

MEITEC REVENUES BY CUSTOMER

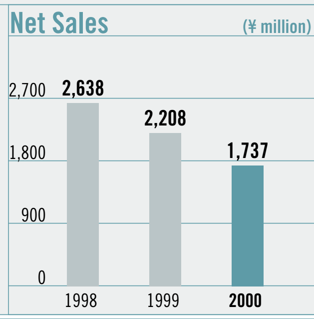


Non-Consolidated

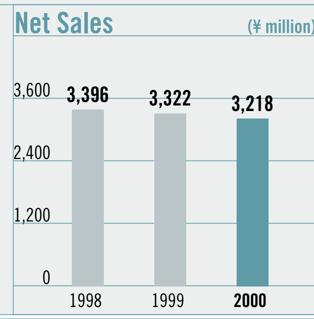
1 AUTOMOBILE/TRANSPORTATION EQUIPMENT (EXCLUDING AIRCRAFT) 16.7%



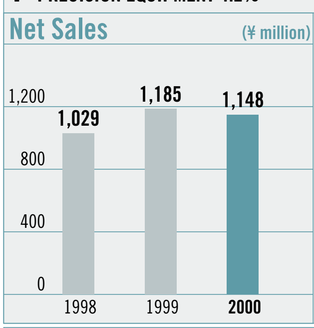
2 AIRCRAFT/ROCKETRY 6.4%



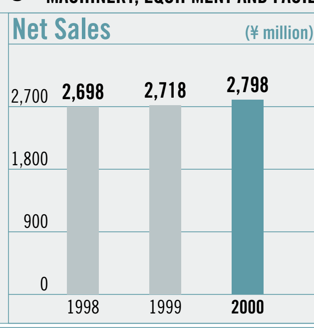
3 INDUSTRIAL MACHINERY/MACHINERY, EQUIPMENT AND SYSTEMS 11.9%



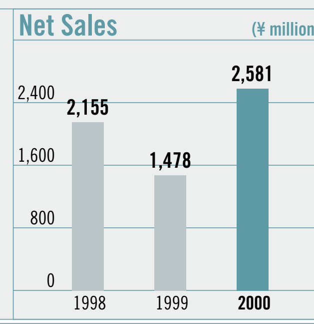
4 PRECISION EQUIPMENT 4.2%



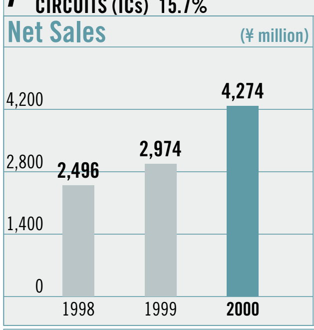
5 ELECTRIC AND ELECTRONIC/ELECTRIC MACHINERY, EQUIPMENT AND FACILITIES 10.3%



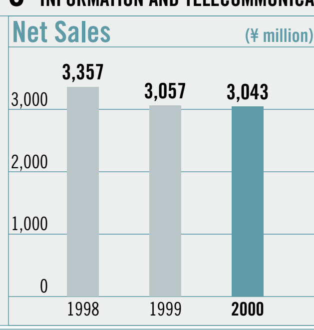
6 SEMICONDUCTOR DEVICES 9.5%



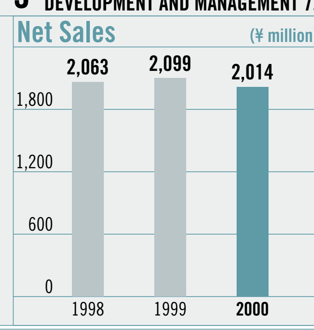
7 SEMICONDUCTORS AND INTEGRATED CIRCUITS (ICs) 15.7%



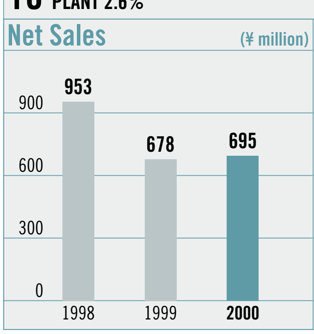
8 INFORMATION AND TELECOMMUNICATIONS 11.2%



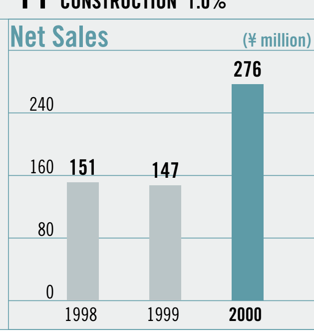
9 INFORMATION PROCESSING/SOFTWARE DEVELOPMENT AND MANAGEMENT 7.4%



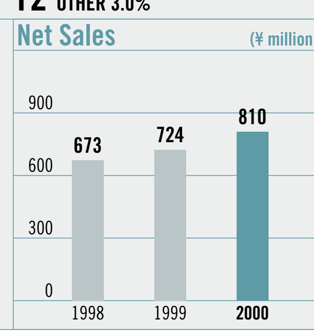
10 PLANT 2.6%



11 CONSTRUCTION 1.0%



12 OTHER 3.0%



SEMI-ANNUAL CONSOLIDATED BALANCE SHEETS (UNAUDITED)

SEPTEMBER 30, 2000 AND 1999

ASSETS	Millions of Yen 2000	1999	Thousands of U.S. Dollars (Note 1) 2000
CURRENT ASSETS:			
Cash and cash equivalents	**¥12,276**	¥ 9,998	**$113,667**
Short-term investments (Note 3)	**7,106**	6,500	**65,796**
Notes and accounts receivable:			
Trade notes and accounts	**11,270**	9,722	**104,352**
Allowance for doubtful accounts	**(38)**	(40)	**(352)**
Inventories (Note 4)	**309**	303	**2,861**
Deferred tax assets	**1,416**	791	**13,111**
Prepaid expenses and other current assets	**744**	755	**6,889**
Total current assets	**33,083**	28,029	**306,324**
PROPERTY AND EQUIPMENT (Note 5):			
Land	**5,551**	9,434	**51,398**
Buildings and structures	**21,978**	22,388	**203,500**
Machinery and equipment	**185**	232	**1,713**
Furniture and fixtures	**6,256**	6,263	**57,926**
Total	**33,970**	38,317	**314,537**
Accumulated depreciation	**(9,964)**	(9,432)	**(92,259)**
Net property and equipment	**24,006**	28,885	**222,278**
INVESTMENTS AND OTHER ASSETS:			
Investment securities (Notes 3 and 5)	**2,574**	1,662	**23,833**
Leasehold deposits	**845**	848	**7,824**
Golf and other memberships	**318**	892	**2,945**
Deferred tax assets	**1,516**	747	**14,037**
Deferred tax asset for land revaluation	**1,629**	—	**15,083**
Other assets	**1,086**	736	**10,056**
Total investments and other assets	**7,968**	4,885	**73,778**
TOTAL	**¥65,057**	¥61,799	**$602,380**

See notes to semi-annual consolidated financial statements.

LIABILITIES AND SHAREHOLDERS' EQUITY	Millions of Yen 2000	Millions of Yen 1999	Thousands of U.S. Dollars (Note 1) 2000
CURRENT LIABILITIES:			
Short-term bank loans (Note 5)	**¥ 1,270**	¥ 1,180	**$ 11,759**
Current portion of long-term debt (Note 5)	**277**	1,954	**2,565**
Trade notes and accounts payable	**46**	18	**426**
Income taxes payable	**3,124**	1,808	**28,926**
Accrued expenses	**6,259**	5,517	**57,954**
Other current liabilities	**1,633**	1,204	**15,120**
Total current liabilities	**12,609**	11,681	**116,750**
LONG-TERM LIABILITIES:			
Long-term debt (Note 5)	**125**	234	**1,157**
Liability for retirement benefits (Note 6)	**3,597**	2,278	**33,306**
Other	**522**	—	**4,834**
Total long-term liabilities	**4,244**	2,512	**39,297**
SHAREHOLDERS' EQUITY (Note 7):			
Common stock, ¥50 per value			
Authorized: 80,000 thousand shares			
Issued and outstanding:			
40,163 thousand shares in 2000			
40,147 thousand shares in 1999	**16,809**	16,798	**155,639**
Additional paid-in capital	**16,644**	16,633	**154,111**
Revaluation loss	**(2,249)**	—	**(20,824)**
Retained earnings	**18,480**	15,039	**171,111**
Net unrealized loss on available-for-sale securities	**(88)**	—	**(815)**
Total	**49,596**	48,470	**459,222**
Treasury stock—at cost	**(1,392)**	(864)	**(12,889)**
Total shareholders' equity	**48,204**	47,606	**446,333**
TOTAL	**¥65,057**	¥61,799	**$602,380**

SEMI-ANNUAL CONSOLIDATED STATEMENTS OF INCOME (UNAUDITED)

SIX MONTHS ENDED SEPTEMBER 30, 2000 AND 1999

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2000	1999	**2000**
NET SALES	**¥31,246**	¥28,125	**$289,315**
COST OF SALES	**21,706**	20,362	**200,981**
Gross profit	**9,540**	7,763	**88,334**
SELLING, GENERAL AND ADMINISTRATIVE EXPENSES	**4,188**	4,127	**38,778**
Operating income	**5,352**	3,636	**49,556**
OTHER INCOME (EXPENSES):			
Interest and dividends	**19**	31	**176**
Interest expense	**(12)**	(40)	**(111)**
Gain on sale of marketable and investment securities	**157**	182	**1,454**
Loss on sale and disposal of fixed assets	**(39)**	(51)	**(361)**
Cumulative effects of the application of the new accounting standards for retirement benefits	**(981)**	—	**(9,084)**
Other—net	**(76)**	31	**(704)**
Other income (expenses)—net	**(932)**	153	**(8,630)**
INCOME BEFORE INCOME TAXES	**4,420**	3,789	**40,926**
INCOME TAXES (Note 8):			
Current	**3,161**	1,840	**29,269**
Deferred	**(1,242)**	(150)	**(11,500)**
Total	**1,919**	1,690	**17,769**
NET INCOME	**¥ 2,501**	¥ 2,099	**$ 23,157**

	Yen		U.S. Dollars
PER SHARE OF COMMON STOCK (Note 2(o)):			
Net income	**¥62.72**	¥52.54	**$0.58**
Diluted net income	**62.68**	52.45	**0.58**
Cash dividends applicable to the six months	**18.00**	10.00	**0.17**

See notes to semi-annual consolidated financial statements.

SEMI-ANNUAL CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY (UNAUDITED)

YEAR ENDED MARCH 31 AND SIX MONTHS ENDED SEPTEMBER 30, 2000

	Thousands	Millions of Yen					
	Outstanding Number of Shares of Common Stock	Common Stock	Additional Paid-in Capital	Revaluation Loss	Retained Earnings	Net Unrealized Loss on Available-for-Sale Securities	Treasury Stock
BALANCE, APRIL 1, 1999	40,083	¥ 16,753	¥ 16,588	¥ —	¥ 12,015	¥ —	¥ (396)
Adjustment of retained earnings for the adoption of deferred tax accounting method	—	—	—	—	1,387	—	—
Net income	—	—	—	—	4,017	—	—
Cash dividends, ¥23 per share, including interim dividends	—	—	—	—	(919)	—	—
Bonuses to directors and corporate auditors	—	—	—	—	(63)	—	—
Purchase of treasury stock—net	—	—	—	—	—	—	(419)
Conversion of convertible bonds	76	53	53	—	—	—	—
Land revaluation	—	—	—	(2,249)	—	—	—
Adjustment due to change in scope of consolidation	—	—	—	—	120	—	—
BALANCE, MARCH 31, 2000	40,159	16,806	16,641	(2,249)	16,557	—	(815)
Net income	—	—	—	—	2,501	—	—
Cash dividends, ¥13 per share	—	—	—	—	(519)	—	—
Bonuses to directors and corporate auditors	—	—	—	—	(59)	—	—
Purchase of treasury stock—net	—	—	—	—	—	—	(577)
Conversion of convertible bonds	4	3	3	—	—	—	—
Evaluation of available-for-sale securities	—	—	—	—	—	(88)	—
BALANCE, SEPTEMBER 30, 2000	**40,163**	**¥16,809**	**¥16,644**	**¥(2,249)**	**¥18,480**	**¥(88)**	**¥(1,392)**

	Thousands of U.S. Dollars (Note 1)					
	Common Stock	Additional Paid-in Capital	Revaluation Loss	Retained Earnings	Net Unrealized Loss on Available-for-Sale Securities	Treasury Stock
BALANCE, MARCH 31, 2000	$ 155,611	$ 154,083	$ (20,824)	$ 153,306	$ —	$ (7,546)
Net income	—	—	—	23,157	—	—
Cash dividends, $0.12 per share	—	—	—	(4,806)	—	—
Bonuses to directors and corporate auditors	—	—	—	(546)	—	—
Purchase of treasury stock—net	—	—	—	—	—	(5,343)
Conversion of convertible bonds	28	28	—	—	—	—
Evaluation of available-for-sale securities	—	—	—	—	(815)	—
BALANCE, SEPTEMBER 30, 2000	**$155,639**	**$154,111**	**$(20,824)**	**$171,111**	**$(815)**	**$(12,889)**

See notes to semi-annual consolidated financial statements.

SEMI-ANNUAL CONSOLIDATED STATEMENTS OF CASH FLOWS (UNAUDITED)

SIX MONTHS ENDED SEPTEMBER 30, 2000 AND 1999

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2000	1999	**2000**
OPERATING ACTIVITIES:			
Income before income taxes	**¥ 4,420**	¥ 3,789	**$ 40,926**
Adjustments for:			
Income taxes—paid	**(927)**	(2,926)	**(8,583)**
Depreciation and amortization	**653**	636	**6,046**
Provision for retirement benefits	**1,145**	162	**10,602**
Gain on sale of marketable and investment securities	**(157)**	(182)	**(1,454)**
Loss on valuation of memberships	**104**	—	**963**
Changes in assets and liabilities:			
(Increase) decrease in trade receivables	**(648)**	488	**(6,000)**
Increase in inventories	**(127)**	(62)	**(1,176)**
Increase (decrease) in accrued expenses	**680**	(36)	**6,296**
Increase (decrease) in other liabilities	**465**	(350)	**4,306**
Other—net	**(41)**	(27)	**(380)**
Total adjustments	**1,147**	(2,297)	**10,620**
Net cash provided by operating activities	**5,567**	1,492	**51,546**
INVESTING ACTIVITIES:			
Purchases of short-term investments	**(7,329)**	(6,256)	**(67,861)**
Proceeds from sale of short-term investments	**2,230**	4,832	**20,648**
Acquisition of property and equipment	**(121)**	(422)	**(1,120)**
Purchases of investment securities	**(754)**	0	**(6,982)**
Proceeds from sale of investment securities	**796**	2	**7,370**
Acquisition of investments and other assets	**(417)**	(471)	**(3,861)**
Other—net	**57**	74	**528**
Net cash used in investing activities	**(5,538)**	(2,241)	**(51,278)**
FINANCING ACTIVITIES:			
Increase (decrease) in short-term bank loans - net	**72**	(265)	**666**
Proceeds from long-term debt	**200**	260	**1,852**
Repayments of long-term debt	**(803)**	(1,452)	**(7,435)**
Acquisition of treasury stock	**(622)**	(502)	**(5,759)**
Dividends paid	**(518)**	(518)	**(4,796)**
Other—net	**26**	33	**241**
Net cash used in financing activities	**(1,645)**	(2,444)	**(15,231)**
FOREIGN CURRENCY TRANSLATION ADJUSTMENTS ON CASH AND CASH EQUIVALENTS	**–**	(3)	**–**
NET DECREASE IN CASH AND CASH EQUIVALENTS	**(1,616)**	(3,196)	**(14,963)**
CASH AND CASH EQUIVALENTS OF NEWLY CONSOLIDATED SUBSIDIARIES, BEGINNING OF SIX MONTHS	**–**	66	**–**
CASH AND CASH EQUIVALENTS, BEGINNING OF SIX MONTHS	**13,892**	13,128	**128,630**
CASH AND CASH EQUIVALENTS, END OF SIX MONTHS	**¥12,276**	¥ 9,998	**$113,667**
NON-CASH FINANCING ACTIVITIES:			
Convertible bonds converted into common stock and additional paid-in capital	**¥ 6**	¥ 89	**$ 56**

See notes to semi-annual consolidated financial statements.

NOTES TO SEMI-ANNUAL CONSOLIDATED FINANCIAL STATEMENTS (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.

Effective April 1, 2000, semi-annual consolidated statements of cash flows are required to be prepared under Japanese accounting standards, and those for the six months ended September 30, 2000 and 1999 are presented herein. The cash flow statement for the six months ended September 30, 1999 is presented herein for comparative purpose.

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 ¥108 to $1, the approximate rate of exchange at September 29, 2000. 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 semi-annual consolidated financial statements for the six months ended September 30, 2000 and 1999 include the accounts of the Company and three subsidiaries (together the “Group”).

All significant intercompany balances and transactions have been eliminated in consolidation.

The consolidated subsidiaries for the six months ended September 30, 2000 are listed below:

	Equity Ownership Percentage	Stated Capital (Millions of Yen)
Japan Outsourcing Inc.	100.0%	¥269
Japan Cast Inc.	100.0	100
MeiService Co., Ltd.	100.0	30

Japan Cast Inc. was incorporated on February 3, 2000. MEITEC AMERICA INCORPORATED was liquidated as of August 31, 1999, and the accompanying semi-annual consolidated financial statements include its operating results through August 31, 1999.

(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, securities are classified as trading, held-to-maturity, and available-for-sale under the new accounting standard. The trading securities are measured at fair value (the sales cost is determined by the moving-average method). The held-to-maturity securities are measured at amortized cost. The available-for-sale securities are measured at fair value at the balance sheet date (unrealized holding gains and losses are reported as a net amount in a separate component of shareholders’ equity, realized gains and losses are computed based on the cost determined by the moving-average method). The unlisted available-for-sale securities are measured at cost determined by the moving-average method.

Until March 31, 2000, listed securities included in short-term investments and investment securities are stated at the lower of cost or market, cost being determined by the moving-average method. Other securities are stated at cost which is determined by the moving-average method.

The effect of the change was to decrease marketable securities included in the current assets, and to increase investment securities included in investment and other assets by ¥1,067 million ($9,880 thousand), and to increase income before income taxes by ¥211 million ($1,954 thousand).

(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 2 to 15 years for furniture and fixtures.

(f) 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 is stated, net of income taxes, as a component of shareholders’ equity. There is no effect on the consolidated statement of income. The details of the one-time revaluation as of March 31, 2000 were as follows:

Land before revaluation:	¥8,787 million
Land after revaluation:	¥4,909 million
Land revaluation loss:	¥2,249 million (net of income taxes of ¥1,629 million)

At September 30, 2000, the carrying amount of the land after the above one-time revaluation exceeded the market value by ¥407 million ($3,769 thousand).

(g) Retirement and Pension Plans

The Company has a contributory funded pension plan.

Effective April 1, 2000, the Group adopted a new accounting standard for the employees’ retirement plans. The liability is determined by charging the pension costs applicable to the current period to income, which is actuarially computed based on the estimated values of pension assets and pension obligations for the year ending March 31, 2001. The cumulative effect by the application of new accounting standards is charged to income when incurred. Accordingly, the six twelfth of the cumulative effect amount is charged to income, for the six months ended September 30, 2000.

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.

The effect of the change was to decrease income before income taxes by ¥959 million ($8,880 thousand).

Retirement benefits to directors and corporate auditors are provided at the amount which would be required if they retired at the balance sheet date, subject to approval of the shareholders’ meeting (in accordance with the Japanese Commercial Code).

(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) Notes Due on the Balance Sheet Date

The note receivables are generally considered to be settled at their maturing date. However, as the current balance sheet date, September 30, 2000, fell on a bank holiday, the note receivables due on such date in the amount of ¥631 million ($5,843 thousand) are included in the “Trade notes and accounts” at September 30, 2000 on the accompanying semi-annual consolidated balance sheets.

(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) Allowance for Litigation

The Company has had a claim filed by the ex-president for a payment of remuneration.

Allowance for pending litigation is estimated based on the details of judicial decision.

The amount of allowance for pending litigation included in other long-term liabilities is ¥142 million ($1,315 thousand) as of September 30, 2000.

(l) Income Taxes

Effective April 1, 1999, the Group adopted an accounting method for interperiod allocation of income taxes based on the asset and liability method. The cumulative effect of the application of interperiod tax allocation in prior years in the amount of ¥1,387 million ($12,843 thousand) is included as an adjustment to retained earnings as of April 1, 1999. Such cumulative effect is calculated by applying the income tax rate stipulated by enacted tax laws as of April 1, 1999.

Deferred income taxes are recorded to reflect the impact of temporary differences between assets and liabilities recognized for financial reporting purposes and such amounts recognized for tax purposes. These deferred taxes are measured by applying currently enacted tax laws to the temporary differences.

Until March 31, 1999, the Group provided for income taxes at amounts currently payable for each year.

(m) Foreign Currency Transactions

Effective April 1, 2000, all receivables and payables denominated in foreign currencies are translated into Japanese yen at the current exchange rates at each balance sheet date, under the new accounting standards. The resulting exchange gains or losses are charged to income.

There is no effect of this change.

Until March 31, 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.

Long-term receivables and payables denominated in foreign currencies were translated into Japanese yen at historical exchange rates. In the case where there was significant fluctuation of currencies with possible exchange losses, long-term receivables or payables denominated in foreign currencies were translated at the current exchange rates as of each balance sheet date.

The resulting exchange gains or losses were recognized in earnings in each period.

(n) Foreign Currency Financial Statements

The balance sheet accounts of the overseas subsidiary is translated into yen at the current exchange rates as of the balance sheet date except for shareholders’ equity, which is translated at the historical exchange rate. Revenue and expense accounts of the overseas subsidiary are translated into yen as of the balance sheet date.

(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 six months, retroactively adjusted for stock splits. The average number of common shares used in the computation was 40,160 thousand shares for 2000 and 40,114 thousand shares for 1999.

Diluted net income per share of common stock assumes full conversion of the outstanding convertible bonds at the beginning of the six months (or at the time of issuance) 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

The balances of short-term investments consisting of time deposits and marketable securities at September 30, 2000 and 1999 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2000	1999	**2000**
Short-term investment:			
Time deposits	**¥7,106**	¥5,583	**$65,796**
Marketable securities	**—**	917	**—**
Total	**¥7,106**	¥6,500	**$65,796**

The acquisition cost and fair value of investment securities at September 30, 2000 were as follows:

(1) Available-for-sale securities

	Millions of Yen		
	Acquisition cost	Fair value	Unrealized loss
Stocks	**¥1,463**	**¥1,403**	**¥ (60)**
Other	**1,101**	**1,009**	**(92)**
Total	**¥2,564**	**¥2,412**	**¥(152)**

	Thousands of U.S. Dollars		
	Acquisition cost	Fair value	Unrealized loss
Stocks	**$13,547**	**$12,991**	**$ (556)**
Other	**10,194**	**9,342**	**(852)**
Total	**$23,741**	**$22,333**	**$(1,408)**

(2) Available-for-sale securities of which fair value is not available

	Carrying amount	
	Millions of Yen	Thousands of U.S. Dollars
Unlisted stocks (except for over-the-counter stocks)	**¥162**	**$1,500**

4. INVENTORIES

Inventories at September 30, 2000 and 1999 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, 2000 and 1999 consisted mainly of loan agreements with banks. The annual interest rates applicable to the short-term bank loans ranged from 0.42% to 1.50% and 0.59% to 1.38% at September 30, 2000 and 1999, respectively.

Long-term debt at September 30, 2000 and 1999 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2000	1999	**2000**
Unsecured 3.2% yen convertible bonds, due fiscal year ending March 31, 2004	**¥ 36**	¥ 58	**$ 333**
Loans from banks and other financial institutions, due serially to six months ending September 30, 2002 with interest rates ranging from 1.01% to 1.80% (2000) and from 0.85% to 2.30% (1999)	**366**	2,130	**3,389**
Total	**402**	2,188	**3,722**
Less current portion	**(277)**	(1,954)	**(2,565)**
Long-term debt, less current portion	**¥ 125**	¥ 234	**$ 1,157**

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, 2000	¥1,394
Balance of debt securities at September 30, 2000	¥36 million
Accumulated number of shares issued upon conversion until September 30, 2000	5,712,944 shares
Number of shares which would be issued upon conversion at September 30, 2000	25,824 shares

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

Annual maturities of long-term debt at September 30, 2000 were as follows:

Years Ending September 30	Millions of Yen	Thousands of U.S. Dollars
2001	¥277	$2,565
2002	89	824
2003	—	—
2004	36	333
Total	¥402	$3,722

The carrying amounts of assets pledged as collateral for short-term bank loans of ¥500 million ($4,630 thousand) at September 30, 2000 were as follows:

	Millions of Yen	Thousands of U.S. Dollars
Property and equipment—net of accumulated depreciation	¥ 365	$ 3,380
Land	489	4,528
Investment securities	746	6,907
Total	¥1,600	$14,815

6. RETIREMENT AND PENSION PLAN

Under most circumstances, employees with more than three years of service are entitled to retirement benefits determined based on the rates 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 by death, or certain other causes, the employee is entitled to greater payment than in the case of voluntary termination.

For those employees with service of three years or more, either a lump-sum payment or pension payments for a designated period are available at the option of the employees.

Directors and corporate auditors are not covered by the above plan. The retirement benefits for the directors and corporate auditors are determined based on the years of service and certain other factors.

The liability for retirement benefits at September 30, 2000 and 1999 included retirement benefits for directors and corporate auditors of ¥134 million ($1,241 thousand) and ¥126 million, respectively.

At March 31, 2000, the most recent date of available information, the Company's assets of the fund amounted to ¥7,897 million ($73,120 thousand).

7. SHAREHOLDERS' EQUITY

The Japanese Commercial Code (the "Code") requires 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 are credited to additional paid-in capital.

The Code also requires companies to appropriate from retained earnings to a legal reserve an amount equal to at least 10% of all cash payments which are made as an appropriation of retained earnings until such reserve equals 25% of stated capital. The Company's reserve amount, which is included in retained earnings, totals ¥4,201 million ($38,898 thousand) and ¥1,038 million as of September 30, 2000 and 1999, respectively, and is not available for dividends but may be used to reduce a deficit by resolution of the shareholders.

The Company may transfer portions of additional paid-in capital and legal reserve to stated capital by resolution of the Board of Directors. The Company may also transfer portions of unappropriated retained earnings, available for dividends, to stated capital by resolution of the shareholders.

Under the Code, the Company may issue new common shares to existing shareholders without consideration as a stock split pursuant to resolution of the Board of Directors. The Company may make such a stock split to the extent that the aggregate par value of the shares outstanding after the stock split does not exceed the stated capital. However, the amount calculated by dividing the total amount of shareholders' equity by the number of outstanding shares after the stock split cannot be less than ¥50.

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 six months ended September 30, 2000, the unsecured 3.2% yen convertible bonds due March 31, 2004 were exercised into 4,302 shares of the Company's common stock. The exercise of yen convertible bonds was to increase in common stock and in additional paid-in capital by ¥3 million ($28 thousand), respectively.

The stock option plan approved by the Company's shareholders on June 26, 1998, grants options to directors and key employees to purchase up to 77,500 shares and 44,000 shares of the Company's common stocks, respectively, during the period from June 27, 2000 to June 26, 2008. The exercise price of the option is ¥5,530 per share. The option was not exercised for the six months ended September 30, 2000.

The stock option plan approved by the Company's shareholders on June 29, 1999, grants options to directors and key employees to purchase up to 72,500 shares and 46,000 shares of the Company's common stocks, respectively, during the period from June 30, 2001 to June 29, 2009. The exercise price of the option is ¥3,997 per share.

The stock option plan approved by the Company's shareholders on June 29, 2000, grants options to directors and key employees to purchase up to 70,000 shares and 71,000 shares of the Company's common stocks, respectively, during the period from June 30, 2002 to June 29, 2010. The exercise price of the option is ¥4,280 per share.

8. 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 rates of approximately 42% for the six months ended September 30, 2000 and 1999.

9. LEASES

The Group leases certain furniture and fixtures and other assets.

Total rental expenses under the above leases for the six months ended September 30, 2000 and 1999 were ¥35 million ($324 thousand) and ¥91 million, respectively.

Pro forma information of leased property such as acquisition cost, accumulated depreciation, obligation under finance leases, depreciation expense of finance leases that do not transfer ownership of the leased property to the lessee on an “as if capitalized” basis at September 30, 2000 and 1999 was as follows:

	Millions of Yen					
	2000			1999		
	Furniture and Fixtures	Other	Total	Furniture and Fixtures	Other	Total
Acquisition cost	**¥324**	**¥13**	**¥337**	¥874	¥29	¥903
Accumulated depreciation	**258**	**5**	**263**	708	12	720
Net leased property	**¥ 66**	**¥ 8**	**¥ 74**	¥166	¥17	¥183

	Thousands of U.S. Dollars		
	2000		
	Furniture and Fixtures	Other	Total
Acquisition cost	**$3,000**	**$120**	**$3,120**
Accumulated depreciation	**2,389**	**46**	**2,435**
Net leased property	**$ 611**	**$ 74**	**$ 685**

Obligations under finance leases at September 30, 2000 and 1999:

	Millions of Yen		Thousands of U.S. Dollars
	2000	1999	**2000**
Due within one year	**¥47**	¥119	**$435**
Due after one year	**27**	64	**250**
Total	**¥74**	¥183	**$685**

The amounts 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 ¥35 million ($324 thousand) and ¥91 million for the six months ended September 30, 2000 and 1999, respectively.

SUPPLEMENTAL SEMI-ANNUAL NON-CONSOLIDATED BALANCE SHEETS (UNAUDITED)

SEPTEMBER 30, 2000 AND 1999

	Millions of Yen		Thousands of U.S. Dollars
ASSETS	**2000**	1999	**2000**
CURRENT ASSETS:			
Cash and cash equivalents	**¥10,802**	¥ 9,198	**$100,019**
Short-term investments	**7,001**	6,307	**64,824**
Notes and accounts receivable:			
Trade notes and accounts	**10,136**	8,880	**93,852**
Allowance for doubtful accounts	**(31)**	(37)	**(287)**
Inventories	**309**	302	**2,861**
Deferred tax assets	**1,285**	714	**11,898**
Prepaid expenses and other current assets	**701**	724	**6,491**
Total current assets	**30,203**	26,088	**279,658**
PROPERTY AND EQUIPMENT:			
Land	**4,910**	8,793	**45,463**
Buildings and structures	**21,813**	22,223	**201,972**
Machinery and equipment	**185**	232	**1,713**
Furniture and fixtures	**6,159**	6,165	**57,028**
Total	**33,067**	37,413	**306,176**
Accumulated depreciation	**(9,850)**	(9,329)	**(91,204)**
Net property and equipment	**23,217**	28,084	**214,972**
INVESTMENTS AND OTHER ASSETS:			
Investment securities	**2,568**	1,658	**23,778**
Investments in subsidiaries	**560**	243	**5,185**
Treasury stock	**1,391**	863	**12,880**
Leasehold deposits	**691**	698	**6,398**
Golf and other memberships	**276**	832	**2,555**
Deferred tax assets	**1,454**	710	**13,463**
Deferred tax asset for land revaluation	**1,629**	—	**15,083**
Other assets	**1,040**	702	**9,630**
Total investments and other assets	**9,609**	5,706	**88,972**
TOTAL	**¥63,029**	¥59,878	**$583,602**

The translations of Japanese yen amounts into U.S. dollar amounts have been made at the rate of ¥108 to $1, the approximate rate of exchange at September 29, 2000.

LIABILITIES AND SHAREHOLDERS' EQUITY	Millions of Yen 2000	Millions of Yen 1999	Thousands of U.S. Dollars 2000
CURRENT LIABILITIES:			
Short-term bank loans	**¥ 1,120**	¥ 1,010	**$ 10,370**
Current portion of long-term debt	**—**	1,870	**—**
Trade notes	**20**	5	**185**
Income taxes payable	**2,903**	1,699	**26,880**
Accrued expenses	**5,465**	4,895	**50,602**
Other current liabilities	**1,450**	890	**13,426**
Total current liabilities	**10,958**	10,369	**101,463**
LONG-TERM LIABILITIES:			
Long-term debt	**36**	58	**333**
Liability for retirement benefits	**3,445**	2,168	**31,898**
Other	**522**	—	**4,834**
Total long-term liabilities	**4,003**	2,226	**37,065**
SHAREHOLDERS' EQUITY:			
Common stock, ¥50 par value			
Authorized: 80,000 thousand shares			
Issued and outstanding:			
40,163 thousand shares in 2000			
40,147 thousand shares in 1999	**16,809**	16,798	**155,639**
Additional paid-in capital	**16,644**	16,633	**154,111**
Legal reserve	**4,201**	1,038	**38,898**
Revaluation loss	**(2,249)**	—	**(20,824)**
Retained earnings	**12,752**	12,814	**118,074**
Net unrealized loss on available-for-sale securities	**(89)**	—	**(824)**
Total shareholders' equity	**48,068**	47,283	**445,074**
TOTAL	**¥63,029**	¥59,878	**$583,602**

SUPPLEMENTAL SEMI-ANNUAL NON-CONSOLIDATED STATEMENTS OF INCOME (UNAUDITED)

SIX MONTHS ENDED SEPTEMBER 30, 2000 AND 1999

	Millions of Yen		Thousands of U.S. Dollars
	2000	1999	**2000**
NET SALES	**¥27,144**	¥24,819	**$251,334**
COST OF SALES	**18,583**	17,701	**172,065**
Gross profit	**8,561**	7,118	**79,269**
SELLING, GENERAL AND ADMINISTRATIVE EXPENSES	**3,625**	3,627	**33,565**
Operating income	**4,936**	3,491	**45,704**
OTHER INCOME (EXPENSES):			
Interest and dividends	**131**	53	**1,213**
Interest expense	**(9)**	(35)	**(83)**
Gain on sale of marketable and investment securities	**172**	152	**1,592**
Loss on sale and disposal of fixed assets	**(36)**	(52)	**(333)**
Cumulative effects of the application of the new accounting standards for retirement benefits	**(954)**	—	**(8,834)**
Other—net	**(74)**	53	**(685)**
Other income (expenses)—net	**(770)**	171	**(7,130)**
INCOME BEFORE INCOME TAXES	**4,166**	3,662	**38,574**
INCOME TAXES:			
Current	**2,928**	1,729	**27,111**
Deferred	**(1,176)**	(109)	**(10,889)**
Total	**1,752**	1,620	**16,222**
NET INCOME	**¥ 2,414**	¥ 2,042	**$ 22,352**
	Yen		U.S. Dollars
PER SHARE OF COMMON STOCK:			
Net income	**¥60.12**	¥50.91	**$0.56**
Diluted net income	**60.09**	50.83	**0.56**
Cash dividends applicable to the six months	**18.00**	10.00	**0.17**

The translations of Japanese yen amounts into U.S. dollar amounts have been made at the rate of ¥108 to $1, the approximate rate of exchange at September 29, 2000.

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	Par value: ¥50 per share Authorized: 80,000,000 shares Issued: 40,163,121 shares
Shareholders	6,129
Number of Employees (Consolidated)	6,677
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.
Branches	38 facilities

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 Michitoshi Takanashi
	Member of Board of Directors	Mitsuo Ohtsuki, Ph. D.
	Auditors	Toshio Saikusa Yoshimi Yotsuhashi* Masatoshi Saito*

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

WEB SITE INTRODUCTION

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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