MEITEC

THE ENGINEERING OUTSOURCING® COMPANY

MEITEC CORPORATION

ANNUAL REPORT 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, and plays a major role as our clients’ alternate engineering division and personnel office. And to continue to develop alongside the industrial society, we launched “New VISION 21,” our 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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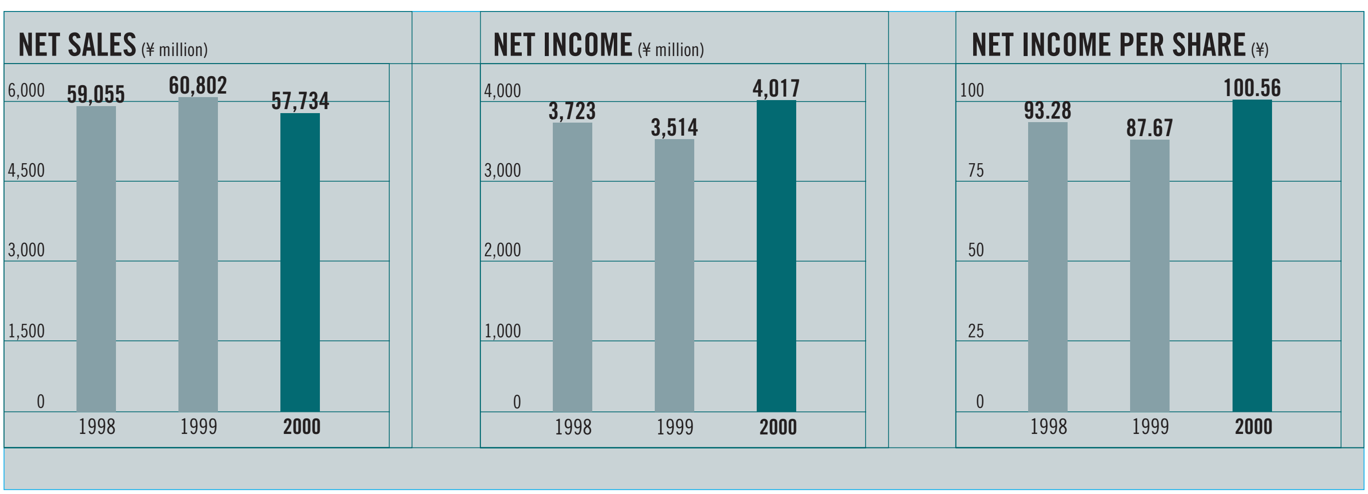
CONSOLIDATED FINANCIAL HIGHLIGHTS

Years ended March 31	Millions of Yen 2000	1999	1998	Thousands of U.S. Dollars (Note 1) 2000
Net Sales	**¥57,734**	¥60,802	¥59,055	**$544,661**
Operating Income	**8,242**	10,118	9,864	**77,755**
Net Income	**4,017**	3,514	3,723	**37,896**
Total Assets	**59,821**	62,138	62,331	**564,349**
Total Shareholders' Equity	**46,940**	44,960	42,725	**442,830**
	Yen			U.S. Dollars
Per Share of Common Stock:				
Shareholders' Equity	**¥1,175.47**	¥1,124.87	¥1,067.05	**$11.09**
Cash Dividend	**23.00**	23.00	22.00	**0.22**
Net Income (Note 2)	**100.56**	87.67	93.28	**0.95**
	%			
Return on Average Equity	**8.74**	8.01	9.09	

Notes: 1. U.S. dollar amounts are translated from Japanese yen, for convenience only, at the rate of ¥106 to $1, the approximate exchange rate prevailing as of March 31, 2000.

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



I would like to express my sincere appreciation to our shareholders for your understanding and continuing support during this pivotal year. I am pleased to announce our results for fiscal 2000.

The fiscal year ended March 31, 2000 (fiscal 2000), was a strategically important year and ultimately a successful year for Meitec Corporation. Despite some signs of growth, the Japanese economy remained lackluster in fiscal 2000. In the service sector, some industries enjoyed vigorous expansion, especially newer areas such as information and telecommunications and Internet-related businesses. However, conditions remained sluggish overall. In the manufacturing sector, which makes up the core of Meitec's client base, many companies were involved with reorganization of their businesses, large-scale consolidation and streamlining of their organizations, and restructuring of operations aimed at overcoming global market competition.

Conditions in the first half of the term provide a good example of the kind of environment we faced. In our EO business, which accounts for 88% of consolidated net sales, it took us a longer period of time to place recent graduates in their assignments and lagged our initial schedule considerably. And by the end of first half of the fiscal year, we had reached only half our goals, and the total operating ratio of the engineers stood at 90.5%.

In the second half of the term, to address the severe market situation, we aggressively shifted the focus of our marketing toward the information and telecommunications industries and a newly invigorated semiconductor-related industry. We also held strategic technological training in such high-market-value areas as three-dimensional (3-D) computer-aided design (CAD) and electronic circuit design for engineering staff that had completed their contracts. And we worked to raise our operating ratio by increasing the market focus of operations throughout the Company. As a result, we increased the operating ratio in the second half to 95.6%.

As part of plans to create strategic differentiation in the medium and long terms, Meitec established new EO Centers in Tsukuba (Ibaraki Prefecture), Sendai (Miyagi Prefecture) and Kanda (Tokyo) to serve as regional training bases for engineering staff. The new centers are working to enhance the skills of our engineering staff to meet the needs of customers in those regions.

As a result, consolidated net sales were ¥57,734 million (US$544.7 million, or 5.0% less compared with the previous fiscal year). Within this, sales from the Meitec Group's EO business were ¥55,530 million (US$523.9 million), and general outsourcing businesses recorded ¥2,204 million (US$20.8 million). Operating income declined 18.5% to ¥8,242 million (US$77.8 million). However, due to a large reduction in corporate tax, we were able to increase net income 14.3% to ¥4,017 million (US$37.9 million) and ROE 0.7 point to 8.7%.

We paid an annual dividend of ¥23.0 per share (of which ¥10.0 was paid in the interim period) in fiscal 2000. This resulted in a dividend-payout ratio of 22.9%.

I thank you again for your continuing support.

June 2000

Kousuke Nishimoto
President and Chief Executive Officer

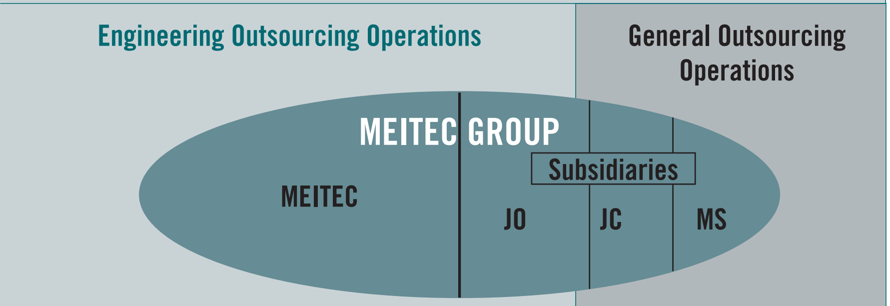
Basic Management Policy

The Meitec Group's basic management policy is to operate our outsourcing businesses and realize mutual growth and prosperity for shareholders, customers and employees, while contributing to development of the advanced information society. In order to achieve this basic policy, we have created the following specific concept in our New VISION 21, a new consolidated management plan started from the current fiscal year:

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

In addition to the above, we are focusing on those in the manufacturing industry as clients for the entire Meitec Group in order to maximize the efficiency of our management resources and advantages in the market. To do so, we are concentrating our business direction on the manufacturing industry, which we have established as our core customer group.

MEITEC GROUP STRUCTURE



Notes: JO (Japan Outsourcing Inc.)
JC (Japan Cast Inc.)
MS (MeiService Co., Ltd.)

Dividend Policy

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

The Company uses retained earnings not only to strengthen its financial base but also to aggressively expand its business and to make investments that will raise the added value of its operations. We plan to continue pursuing earnings growth that satisfies the expectations of our shareholders.

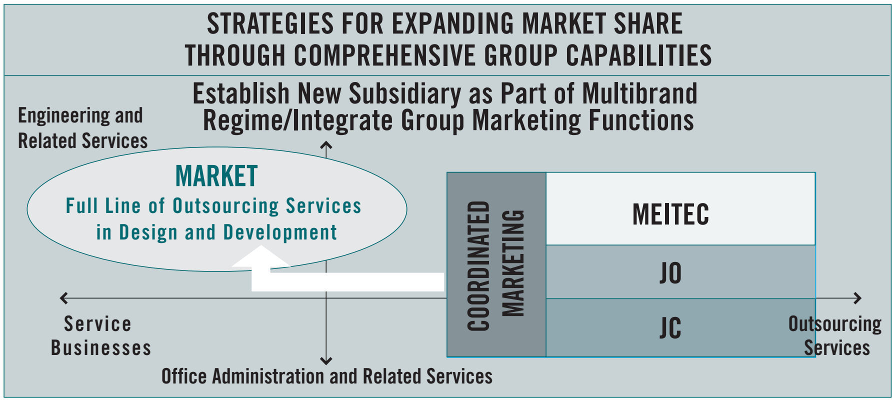
Mid- and Long-Term Management Strategy

Meitec began its New VISION 21 consolidated management plan in the current term. The new plan is designed to respond to the age of consolidated management and to spur growth and development in the Meitec Group. Marshalling the comprehensive powers of Meitec, Japan Outsourcing Inc. and Japan Cast Inc., the plan aims to establish a system for providing the manufacturing industry with outsourcing operations in design and development, from high-level engineering development to a variety of less advanced technical tasks. We believe that pursuing this Group business strategy will allow us to strengthen our position as number one in the outsourcing industry.

Specific initiatives of New VISION 21 include merging each Group company's marketing functions into a new unit that will integrate marketing information and carry out seamless marketing activities. This will allow us to respond as a group to an array of outsourcing needs in the manufacturing industry with maximum efficiency and exceptional results. By doing so, we can increase customer convenience and continue our strategic efforts to create an overwhelming competitive advantage over the other companies in our industry.

In addition to creating this new system for design and development outsourcing, the Company is also working to raise the added value of its businesses and increase its profitability. To do so, we are making aggressive investments in employee education and carrying out strategic M&A-focused activities, in line with our policy of using available funds as efficiently as possible. Excess cash will be earmarked for raising profitability in our core business and will not be used for financial speculation.

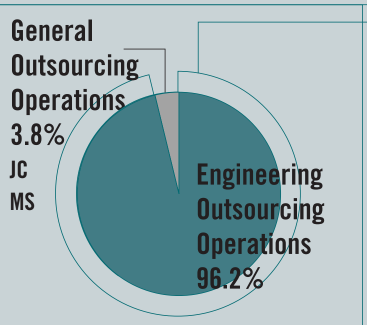
Integration, however, will not be limited to marketing functions. We are also working to merge back-office administrative functions throughout the Group, and have begun constructing an integrated Group-wide information system to boost the efficiency of these functions. The new system is scheduled for completion by March 2002.



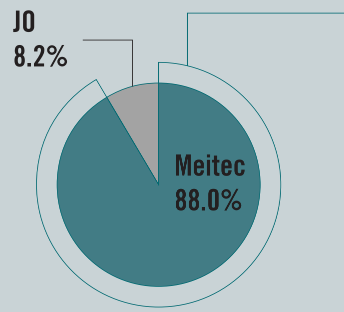
Management Goals

Our management policy is to meet the expectations of our shareholders by achieving higher earnings and returns on equity capital. For the fiscal year ending March 31, 2003, management has established a target of 10% ROE.

CONSOLIDATED REVENUES

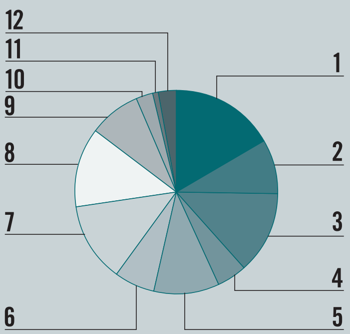


REVENUES BY GROUP COMPANY



Engineering Outsourcing Operations

MEITEC REVENUES BY CUSTOMER



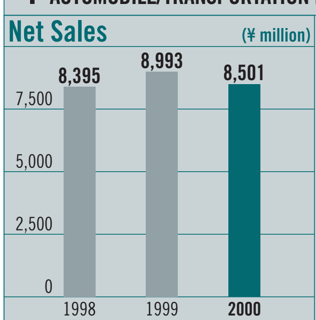
Non-Consolidated

The Meitec Group consists of Meitec Corporation and three other subsidiaries. Our principal business is to provide Engineering Outsourcing* services and other general outsourcing services.

Engineering Outsourcing is provided by Meitec and partly by Japan Outsourcing. Sales from EO for the term under review totaled ¥55,530 million (US$523.9 million), while sales for general outsourcing were ¥2,204 million (US$20.8 million).

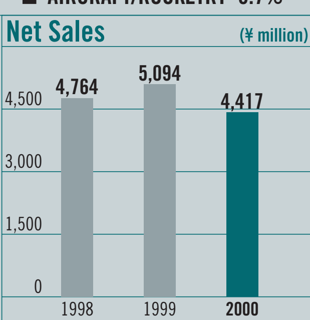
* Engineering Outsourcing is a registered trademark of Meitec Corporation and refers to an engineering service that provides design and development in such areas as machinery, electricity, electronics and computer software.

1 AUTOMOBILE/TRANSPORTATION EQUIPMENT (EXCLUDING AIRCRAFT) 16.7%



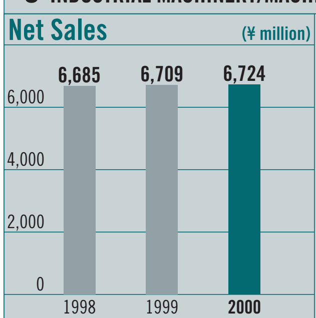
Design of automobiles, automotive parts, motorcycles and special-purpose vehicles

2 AIRCRAFT/ROCKETRY 8.7%



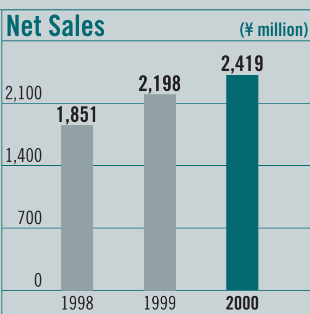
Design of aircraft, satellites and rockets

3 INDUSTRIAL MACHINERY/MACHINERY, EQUIPMENT AND SYSTEMS 13.2%



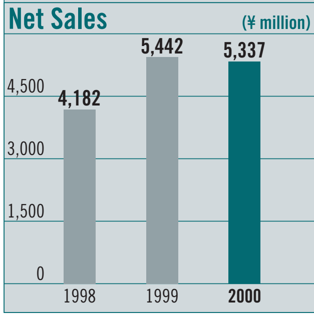
Design of construction machinery, industrial facility systems and banking machines

4 PRECISION EQUIPMENT 4.8%



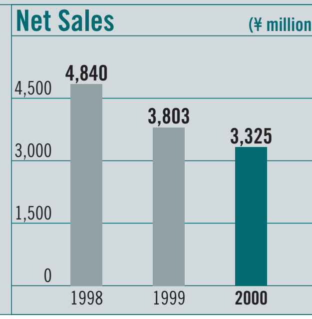
Design of medical-care systems and precision inspection systems

5 ELECTRIC AND ELECTRONIC/ELECTRIC MACHINERY, EQUIPMENT AND FACILITIES 10.5%



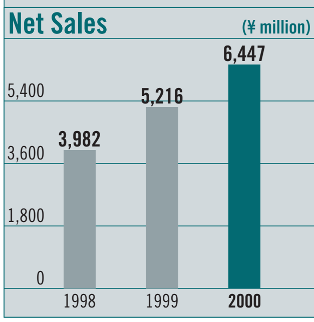
Design of AV equipment, air-conditioning equipment and security-related equipment

6 SEMICONDUCTOR DEVICES 6.5%



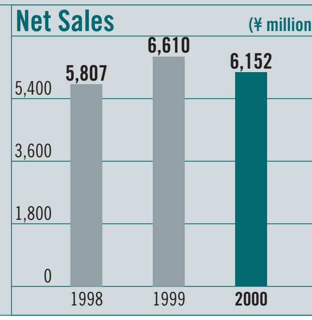
Design of semiconductor manufacturing systems

7 SEMICONDUCTORS AND INTEGRATED CIRCUITS (ICs) 12.7%



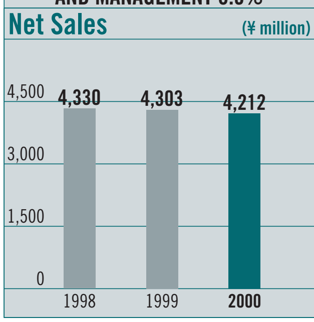
Design of LSI systems

8 INFORMATION AND TELECOMMUNICATIONS 12.1%



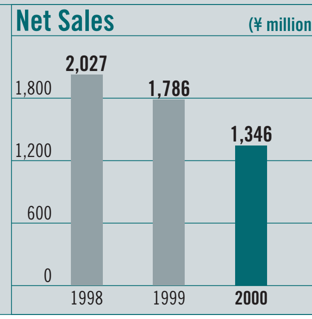
Design of telecommunications terminals, computers and network-related systems

9 INFORMATION PROCESSING/SOFTWARE DEVELOPMENT AND MANAGEMENT 8.3%



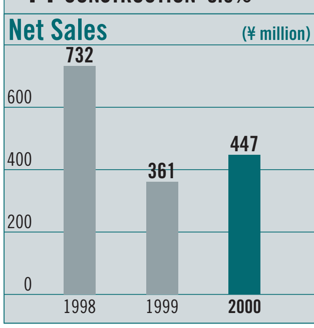
Design of database systems, software interfaces, information processing systems and control software

10 PLANT 2.7%



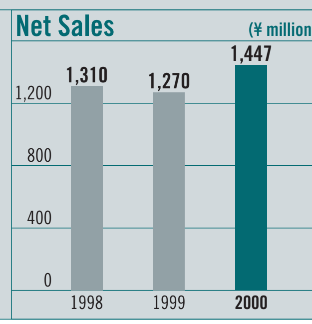
Design of electrical power plants, equipment plants and nuclear power plants

11 CONSTRUCTION 0.9%



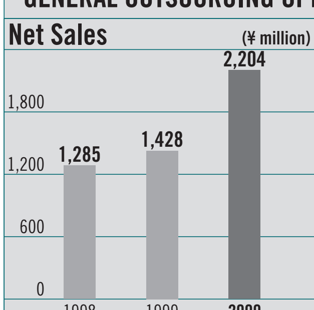
Design for general housing, unit housing, construction systems, skyscrapers, bridges, special-purpose domes, system houses, cranes and elevators

12 OTHER 2.9%



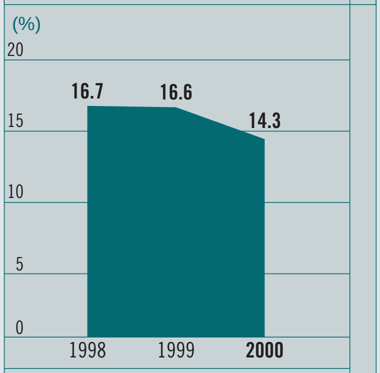
Other design

GENERAL OUTSOURCING OPERATIONS 3.8%

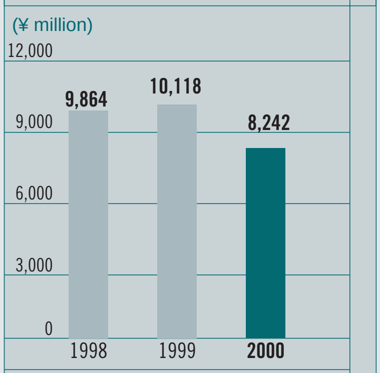


General outsourcing services refer to administrative outsourcing service handled by Japan Cast and insurance agency and building management outsourcing service handled by MeiService Co., Ltd. Japan Cast was established in February 2000.

NET PROFIT MARGIN



OPERATING INCOME



RETURN ON AVERAGE EQUITY

Performance

Net sales for the fiscal year ended March 31, 2000 (fiscal 2000) totaled ¥57,734 million (US$544.7 million), a decrease of 5.0% from the previous fiscal year. This decrease reflects the lackluster conditions of the Japanese economy in the fiscal year in review and a difficult operating environment for the Company's core clients in the manufacturing sector. Despite favorable sales activity to clients in such areas as semiconductors and information and telecommunications, sales to clients in other manufacturing industries were negatively impacted by continued corporate restructuring and industry realignment.

By operating segment, consolidated sales in engineering outsourcing totaled ¥55,530 million (US$523.9 million) and sales in general outsourcing were ¥2,204 million (US$20.8 million). As the Company has reorganized its business segments, comparisons with the previous fiscal year are not available.

The Company's operating ratio for the fiscal year in review totaled 93.0%. The main factors behind this result were successful targeting of highly active clients in information and telecommunications industries, and aggressive efforts to provide a wider range of engineering services with high market value. These positive factors offset a low operating ratio in the first half of the term caused by late job assignment of recent graduates.

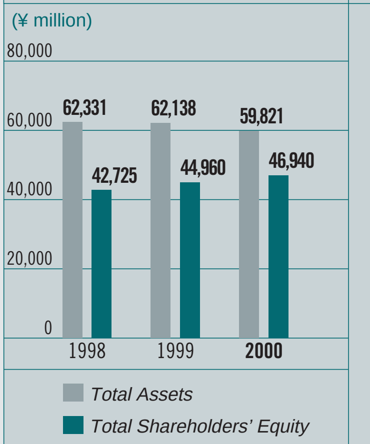
Cost of sales totaled ¥40,881 million (US$385.7 million), a decrease of 1.8% compared with the previous term. The gross margin declined 2.3 percentage points to 29.2% of net sales. Selling, general and administrative expenses fell 4.8% to ¥8,611 million (US$81.2 million). The percentage of net sales to selling, general and administrative expenses remained roughly even compared with the previous fiscal year at 14.9%. Operating income totaled ¥8,242 million (US$77.8 million), a decline of 18.5%.

Total other expenses, net of other income, were ¥1,043 million (US$9.8 million). The Company incurred a ¥248 million (US$2.3 million) loss on write-down of marketable and investment securities and a ¥517 million (US$4.9 million) loss on sale and disposal of fixed assets in connection with the liquidation of subsidiary Meitec America Inc. These offset a ¥200 million (US$1.9 million) gain on sale of marketable and investment securities.

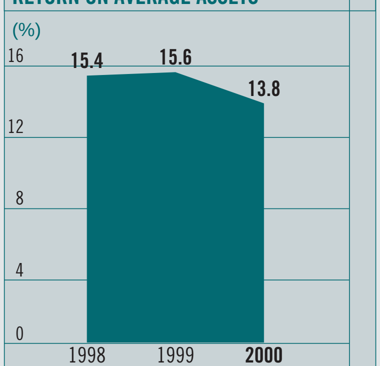
Income before income taxes and minority interest totaled ¥7,199 million (US$67.9 million), a decrease of 14.9%.

The Company's normal effective statutory tax rate was 42.0%, compared with 48.0% in the previous fiscal year. In addition, a deferred tax asset was included in calculating income tax expense, which lowered the actual effective tax rate to 44.2%. As a result of more favorable effective tax rates, net income for the fiscal year ended March 31, 2000, increased 14.3% to ¥4,017 million (US$37.9 million). Net income per share of common stock was ¥100.56 (US$0.95), reflecting higher net income. Cash dividends applicable to the year were ¥23.00 (US$0.22).

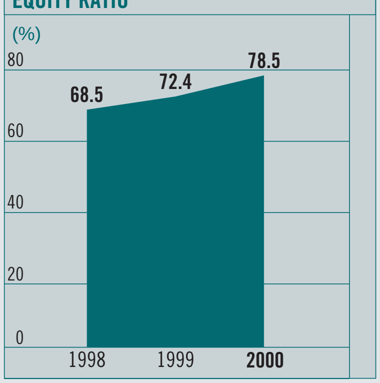
TOTAL ASSETS AND TOTAL SHAREHOLDERS' EQUITY



RETURN ON AVERAGE ASSETS



EQUITY RATIO



Cash Flows

Net cash provided by operating activities totaled ¥3,990 million (US$37.6 million). The major source of this cash was income before income taxes and minority interests totaling ¥7,199 million (US$67.9 million), and depreciation and amortization of ¥1,302 million (US$12.3 million). These were offset by income taxes—paid of ¥5,425 million (US$51.2 million).

Net cash provided by investing activities totaled ¥719 million (US$6.8 million). Although the Company used ¥9,232 million (US$87.1 million) for purchase of short-term investment, an additional ¥11,123 million (US$104.9 million) was provided from the proceeds from sale of short-term investment.

Net cash used in financing activities totaled ¥4,007 million (US$37.8 million). Major uses of this cash included ¥2,613 million (US$24.7 million) in repayments of long-term debt and ¥916 million (US$8.6 million) in dividends paid. The Company also spent ¥508 million (US$4.8 million) in acquisition of treasury stock.

As a result, cash and cash equivalents, end of year were ¥13,892 million (US$131.1 million), a net increase of ¥698 million (US$6.6 million) compared with the end of the previous term.

Financial Position

Total current assets edged slightly up to ¥29,218 million (US$275.6 million), with increases in cash and cash equivalents to ¥13,892 million (US$131.1 million) and trade notes and accounts to ¥10,620 million (US$100.2 million). Total current liabilities on the other hand, were reduced to ¥9,705 million (US$91.6 million) from ¥13,968 million as of the previous fiscal year-end. This was largely due to a decrease in income taxes payable to ¥890 million (US$8.4 million) from ¥2,891 million, and lower current portion of long-term debt, which fell from ¥2,570 million to ¥837 million (US$7.9 million). As a result, working capital increased 28.4% to ¥19,513 million (US$184.1 million). The current ratio was 3.01, compared with 2.09 a year earlier.

Net property and equipment decreased 16.0% to ¥24,517 million (US$231.3 million), primarily due to a reduction in land to ¥5,551 million (US$52.4 million) from ¥9,434 million a year earlier.

Total investments and other assets rose 60.7% to ¥6,086 million (US$57.4 million) mainly due to the inclusion of deferred tax assets and a deferred tax asset for land revaluation in line with the adoption of tax-effect accounting.

Total assets were ¥59,821 million (US$564.3 million), down from ¥62,138 million a year earlier.

Total long-term liabilities rose 5.4% to ¥3,176 million (US$30.0 million). Despite a reduction in long-term debt from ¥900 million to ¥175 million (US$1.7 million), the liability for retirement benefits rose to ¥2,452 million (US$23.1 million) and the Company recognized ¥549 million (US$5.2 million) as an other liability.

Total shareholders' equity increased ¥1,980 million to ¥46,940 million (US$442.8 million). The main factors for this increase were net income and an increase in the number of shares outstanding due to conversion of convertible bonds. These offset a revaluation loss of ¥2,249 million (US$21.2 million) added to shareholders' equity after revaluation of real estate holdings (see Note 2 (f) in notes to consolidated financial statements).

Total shareholders' equity as a percentage of total assets was 78.5%, an improvement of 6.1 percentage points. Return on assets was 6.6% and return on equity improved to 8.7%.

CONSOLIDATED BALANCE SHEETS

MARCH 31, 2000 AND 1999

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
ASSETS	**2000**	1999	**2000**
CURRENT ASSETS:			
Cash and cash equivalents	**¥13,892**	¥13,128	**$131,057**
Short-term investments (Note 3)	**3,095**	4,810	**29,198**
Notes and accounts receivable:			
Trade notes and accounts	**10,620**	10,223	**100,189**
Allowance for doubtful accounts	**(45)**	(79)	**(425)**
Inventories (Note 4)	**182**	239	**1,717**
Deferred tax assets (Note 8)	**718**	—	**6,774**
Prepaid expenses and other current assets	**756**	843	**7,132**
Total current assets	**29,218**	29,164	**275,642**
PROPERTY AND EQUIPMENT (Notes 2 (f) and 5):			
Land	**5,551**	9,434	**52,368**
Buildings and structures	**21,977**	21,894	**207,330**
Machinery and equipment	**185**	235	**1,745**
Furniture and fixtures	**6,195**	6,239	**58,443**
Construction in progress	**—**	302	**—**
Total	**33,908**	38,104	**319,886**
Accumulated depreciation	**(9,391)**	(8,918)	**(88,594)**
Net property and equipment	**24,517**	29,186	**231,292**
INVESTMENTS AND OTHER ASSETS:			
Investment securities (Notes 3 and 5)	**1,530**	1,669	**14,434**
Investments in unconsolidated subsidiary	**—**	30	**—**
Leasehold deposits	**838**	770	**7,906**
Golf and other memberships	**442**	892	**4,170**
Deferred tax assets (Note 8)	**908**	—	**8,566**
Deferred tax asset for land revaluation (Note 2 (f))	**1,629**	—	**15,368**
Other assets	**739**	427	**6,971**
Total investments and other assets	**6,086**	3,788	**57,415**
TOTAL	**¥59,821**	¥62,138	**$564,349**

See notes to consolidated financial statements.

LIABILITIES AND SHAREHOLDERS' EQUITY	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2000	1999	**2000**
CURRENT LIABILITIES:			
Short-term borrowings (Note 5)	**¥ 1,198**	¥ 1,445	**$ 11,302**
Current portion of long-term debt (Note 5)	**837**	2,570	**7,896**
Notes and accounts payable:			
Trade notes and accounts	**58**	57	**547**
Income taxes payable	**890**	2,891	**8,397**
Accrued expenses	**5,579**	5,545	**52,632**
Other current liabilities	**1,143**	1,460	**10,783**
Total current liabilities	**9,705**	13,968	**91,557**
LONG-TERM LIABILITIES:			
Long-term debt (Note 5)	**175**	900	**1,651**
Liability for retirement benefits (Note 6)	**2,452**	2,114	**23,132**
Other	**549**	—	**5,179**
Total long-term liabilities	**3,176**	3,014	**29,962**
MINORITY INTEREST	**—**	196	**—**
SHAREHOLDERS' EQUITY (Note 7):			
Common stock, ¥50 par value:			
Authorized: 80,000 thousand shares in 2000 and 1999			
Issued and outstanding:			
40,159 thousand shares in 2000			
40,083 thousand shares in 1999	**16,806**	16,753	**158,547**
Additional paid-in capital	**16,641**	16,588	**156,991**
Revaluation loss (Note 2 (f))	**(2,249)**	—	**(21,217)**
Retained earnings	**16,557**	12,015	**156,198**
Total	**47,755**	45,356	**450,519**
Treasury stock—at cost	**(815)**	(396)	**(7,689)**
Total shareholders' equity	**46,940**	44,960	**442,830**
TOTAL	**¥59,821**	¥62,138	**$564,349**

CONSOLIDATED STATEMENTS OF INCOME

YEARS ENDED MARCH 31, 2000 AND 1999

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2000	1999	**2000**
NET SALES	**¥57,734**	¥60,802	**$544,661**
COST OF SALES	**40,881**	41,641	**385,670**
Gross profit	**16,853**	19,161	**158,991**
SELLING, GENERAL AND ADMINISTRATIVE EXPENSES	**8,611**	9,043	**81,236**
Operating income	**8,242**	10,118	**77,755**
OTHER INCOME (EXPENSES):			
Interest and dividends	**40**	103	**377**
Interest expense	**(66)**	(157)	**(623)**
Gain (Loss) on sale of marketable and investment securities	**200**	(167)	**1,887**
Write-down of marketable and investment securities	**(248)**	(172)	**(2,340)**
Loss on sale and disposal of fixed assets	**(517)**	(416)	**(4,877)**
Exchange loss	**(4)**	(62)	**(38)**
Other—net	**(448)**	(783)	**(4,226)**
Other expenses—net	**(1,043)**	(1,654)	**(9,840)**
INCOME BEFORE INCOME TAXES AND MINORITY INTEREST	**7,199**	8,464	**67,915**
INCOME TAXES (Note 8):			
Current	**3,421**	4,946	**32,274**
Deferred	**(239)**	—	**(2,255)**
Total	**3,182**	4,946	**30,019**
MINORITY INTEREST IN NET INCOME	—	4	**—**
NET INCOME	**¥ 4,017**	¥ 3,514	**$ 37,896**

	Yen		U.S. Dollars
PER SHARE OF COMMON STOCK (Note 2 (o)):			
Net income	**¥100.56**	¥87.67	**$0.95**
Diluted net income	**100.44**	87.48	**0.95**
Cash dividends applicable to the year	**23.00**	23.00	**0.22**

See notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY

YEARS ENDED MARCH 31, 2000 AND 1999

	Thousands	Millions of Yen				
	Outstanding Number of Shares of Common Stock	Common Stock	Additional Paid-in Capital	Revaluation Loss	Retained Earnings	Treasury Stock
BALANCE, APRIL 1, 1998	40,040	¥16,723	¥16,558	—	¥ 9,444	¥ (1)
Net income	—	—	—	—	3,514	—
Cash dividends, ¥22 per share	—	—	—	—	(880)	—
Bonuses to directors and corporate auditors	—	—	—	—	(63)	—
Conversion of convertible bonds	43	30	30	—	—	—
Purchase of treasury stock, net	—	—	—	—	—	(395)
BALANCE, MARCH 31, 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	—	—	—	—	(919)	—
Bonuses to directors and corporate auditors	—	—	—	—	(63)	—
Purchase of treasury stock, net	—	—	—	—	—	(419)
Conversion of convertible bonds	76	53	53	—	—	—
Land revaluation (Note 2 (f))	—	—	—	¥ (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)**

	Thousands of U.S. Dollars (Note 1)				
	Common Stock	Additional Paid-in Capital	Revaluation Loss	Retained Earnings	Treasury Stock
BALANCE, MARCH 31, 1999	$ 158,047	$ 156,491	—	$ 113,349	$ (3,736)
Adjustment of retained earnings for the adoption of deferred tax accounting method	—	—	—	13,085	—
Net income	—	—	—	37,896	—
Cash dividends, $0.22 per share	—	—	—	(8,670)	—
Bonuses to directors and corporate auditors	—	—	—	(594)	—
Purchase of treasury stock, net	—	—	—	—	(3,953)
Conversion of convertible bonds	500	500	—	—	—
Land revaluation (Note 2 (f))	—	—	$ (21,217)	—	—
Adjustment due to change in scope of consolidation	—	—	—	1,132	—
BALANCE, MARCH 31, 2000	**$158,547**	**$156,991**	**$(21,217)**	**$156,198**	**$(7,689)**

See notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS

YEARS ENDED MARCH 31, 2000 AND 1999

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2000	(Unaudited) 1999	2000
OPERATING ACTIVITIES:			
Income before income taxes and minority interests	**¥ 7,199**	¥ 8,464	**$ 67,915**
Adjustments for:			
Income taxes—paid	**(5,425)**	(4,491)	**(51,179)**
Depreciation and amortization	**1,302**	1,271	**12,283**
Provision for retirement benefits	**337**	745	**3,179**
Provision for pending litigation	**142**	—	**1,340**
Loss on sale and disposal of fixed assets	**503**	412	**4,745**
(Gain) loss on sale of marketable and investment securities	**(200)**	167	**(1,887)**
Write-down of marketable and investment securities	**248**	172	**2,340**
Loss on valuation of membership	**414**	—	**3,906**
Changes in assets and liabilities:			
(Increase) decrease in trade receivables	**(402)**	610	**(3,793)**
Decrease (increase) in inventory	**59**	(109)	**557**
Decrease in trade payables	**(29)**	(40)	**(273)**
Increase in accrued expenses	**26**	462	**245**
Other—net	**(184)**	(432)	**(1,736)**
Total adjustments	**(3,209)**	(1,233)	**(30,273)**
Net cash provided by operating activities	**3,990**	7,231	**37,642**
INVESTING ACTIVITIES:			
Purchase of short-term investment	**(9,232)**	(6,167)	**(87,094)**
Proceeds from sale of short-term investment	**11,123**	4,023	**104,934**
Acquisition of property and equipment	**(526)**	(913)	**(4,962)**
Acquisition of subsidiary stock from minority shareholders	**(218)**	—	**(2,057)**
Other—net	**(428)**	484	**(4,038)**
Net cash provided by (used in) investing activities	**719**	(2,573)	**6,783**
FINANCING ACTIVITIES:			
Decerase in short-term borrowings—net	**(246)**	(463)	**(2,330)**
Proceeds from long-term debt	**260**	—	**2,453**
Repayments of long-term debt	**(2,613)**	(2,930)	**(24,651)**
Acquisition of treasury stock	**(508)**	(634)	**(4,792)**
Dividends paid	**(916)**	(882)	**(8,642)**
Other—net	**16**	170	**160**
Net cash used in financing activities	**(4,007)**	(4,739)	**(37,802)**
FOREIGN CURRENCY TRANSLATION ADJUSTMENTS ON CASH AND CASH EQUIVALENTS	**(4)**	(64)	**(38)**
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	**698**	(145)	**6,585**
CASH AND CASH EQUIVALENTS OF NEWLY CONSOLIDATED SUBSIDIARIES, BEGINNING OF YEAR	**66**	—	**623**
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	**13,128**	13,273	**123,849**
CASH AND CASH EQUIVALENTS, END OF YEAR	**¥13,892**	**¥13,128**	**$131,057**
NON-CASH FINANCING ACTIVITIES:			
Convertible bonds converted into common stock and additional paid-in capital	**¥ 106**	**¥ 60**	**$ 1,000**

See notes to consolidated financial statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. BASIS OF PRESENTING CONSOLIDATED FINANCIAL STATEMENTS

The accompanying consolidated financial statements have been prepared in accordance with the provisions set forth in the Japanese Securities and Exchange Law and its related accounting regulation, and in conformity with accounting principles and practices generally accepted in Japan, which are different in certain respects as to application and disclosure requirements of International Accounting Standards. The consolidated financial statements are not intended to present the financial position, results of operations and jurisdictions other than Japan.

Effective April 1, 1999, a consolidated statement of cash flows is required to be prepared under Japanese accounting standards, and those for the years ended March 31, 2000 (audited) and 1999 (unaudited) are presented herein.

In preparing these consolidated financial statements, certain reclassifications and rearrangements have been made to the consolidated financial statements issued domestically in order to present them in a form which is more familiar to readers outside Japan.

The consolidated financial statements are stated in Japanese yen, the currency of the country in which MEITEC CORPORATION (the "Company") is incorporated and operates. The translations of Japanese yen amounts into U.S. dollar amounts are included solely for the convenience of readers outside Japan and have been made at the rate of ¥106 to $1, the approximate rate of exchange at March 31, 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 POLICES

(a) Consolidation

The consolidated financial statements for the year ended March 31, 2000 include the accounts of the Company and four subsidiaries (together the "Group"), which includes MEITEC AMERICA INCORPORATED. The account of MEITEC AMERICA INCORPORATED have been included on the basis of a fiscal year ending on December 31. MEITEC AMERICA INCORPORATED has been liquidated as of August 31, 1999, and the accompanying consolidated financial statements include its operating results through August 31, 1999. The consolidated financial statements for the year ended March 31, 1999 included the accounts of the Company, MEITEC AMERICA INCORPORATED and another significant subsidiary. The other consolidated subsidiaries for the year ended March 31, 2000 are listed below:

	Equity Ownership Percentage	Stated Capital (Millions of Yen)
Japan Outsourcing Inc.	100.0%	¥268
Japan Cast Inc.	100.0	100
MeiService Co., Ltd.	100.0	30

The excess of the cost of an acquisition over the fair value of the net assets of the acquired subsidiary at the date of acquisition is charged to income when incurred.

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

(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 by the specific identification method.

(d) Marketable and Investment Securities

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.

(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)

The effect of land revaluation was to decrease total assets and shareholders' equity by ¥2,249 million ($21,217 thousand).

(g) Retirement and Pension Plans

Under the employees' retirement plans for the Group, the annual provision for retirement benefits is calculated to state the liability at the amount that would be required if all employees voluntarily terminated their employment at each balance sheet date. The Company also has adopted a contributory pension plan.

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 (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 under the Japanese corporate tax laws.

(i) Leases

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

(j) Allowance for Litigation

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 ¥141 million ($1,330 thousand) as of March 31, 2000. The Company is being sued by the ex-president to pay remuneration.

(k) 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 ¥1,378 million ($13,000 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.

(l) Appropriations of Retained Earnings

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

(m) Foreign Currency Transactions

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

(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 year, retroactively adjusted for stock splits. The average number of common shares used in the computation was 40,134 thousand shares for 2000 and 40,074 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 year (or at the time of issuance) with an applicable adjustment for related net of tax interest expense.

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

3. SHORT-TERM INVESTMENTS AND INVESTMENT SECURITIES

Short-term investments and investment securities as of March 31, 2000 and 1999 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2000	1999	**2000**
Short-term investments:			
Time deposits	**¥2,006**	¥2,966	**$18,924**
Equity securities	**589**	876	**5,557**
Other	**500**	968	**4,717**
Total	**¥3,095**	¥4,810	**$29,198**
Investment securities:			
Equity securities	**¥1,530**	¥1,669	**$14,434**
Total	**¥1,530**	¥1,669	**$14,434**

The carrying values and aggregate market values of marketable equity securities and others included in short-term investments and investment securities at March 31, 2000 and 1999 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
		(Unaudited)	
	2000	1999	**2000**
Current:			
Carrying amount	**¥1,089**	¥1,843	**$10,274**
Aggregate market value	**1,273**	1,925	**12,010**
Unrealized gain	**¥ 184**	¥ 82	**$ 1,736**
Non-current:			
Carrying amount	**¥1,401**	¥1,540	**$13,217**
Aggregate market value	**1,456**	1,617	**13,736**
Unrealized gain	**¥ 55**	¥ 77	**$ 519**

The difference between the above carrying value and the amounts shown in the accompanying consolidated balance sheets consists of non-marketable securities except for over-the-counter shares for which there is no readily-available market from which to obtain or calculate the market value thereof.

4. INVENTORIES

Inventories at March 31, 2000 and 1999 consisted mainly of work in process related to engineering outsourcing.

5. SHORT-TERM BORROWINGS AND LONG-TERM DEBT

Short-term borrowings at March 31, 2000 and 1999 consisted mainly of loan agreements with banks and bank overdrafts. The annual interest rates applicable to the short-term borrowings ranged from 0.49% to 1.375% and 0.693% to 1.5% at March 31, 2000 and 1999, respectively.

Long-term debt at March 31, 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	**¥ 42**	¥ 147	**$ 396**
Loans from banks and other financial institutions, due serially to fiscal year ending March 31, 2003 with interest rates ranging from 1.66% to 2.21% (2000) and from 1.875% to 2.60% (1999)	**970**	3,323	**9,151**
Total	**1,012**	3,470	**9,547**
Less current portion	**(837)**	(2,570)	**(7,896)**
Long-term debt less current portion	**¥ 175**	¥ 900	**$ 1,651**

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*) as of March 31, 2000	¥1,394
Balance of debt securities at March 31, 2000	¥42 million
Accumulated number of shares issued upon conversion until March 31, 2000	75,321 shares
Number of shares which would be issued upon conversions at March 31, 2000	30,129 shares

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

Annual maturities of long-term debt at March 31, 2000 were as follows:

Year Ending March 31	Millions of Yen	Thousands of U.S. Dollars
2001	¥ 837	$7,896
2002	87	821
2003	46	434
2004	42	396
Total	¥1,012	$9,547

The carrying amounts of assets pledged as collateral for short-term borrowings of ¥300 million ($2,830 thousand) and the above collateralized long-term debt of ¥120 million ($1,132 thousand) at March 31, 2000 were as follows:

	Millions of Yen	Thousand of U.S. Dollars
Property and equipment—net of accumulated depreciation	¥ 379	$ 3,576
Land	489	4,613
Investment securities	809	7,632
Total	¥1,677	$15,821

6. RETIREMENT AND PENSION PLAN

The liability for retirement benefits at March 31, 2000 and 1999 included retirement benefits for directors and corporate auditors of ¥139 million ($1,311 thousand) and ¥131 million, respectively.

Total provisions for retirement and pension costs charged to income were ¥812 million ($7,660 thousand) and ¥1,186 million for the years ended March 31, 2000 and 1999, respectively. The Company changed its accounting method for retirement plan for the year ended March 31, 1998.

The cost for the year ended March 31, 1999 included amortization of the past years' adjustment in the amount of ¥425 million.

At March 31, 1999, the most recent date of available information, the Company's assets of the fund amounted to ¥6,190 million ($58,396 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 ¥1,078 million ($10,170 thousand) and ¥938 million as of March 31, 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. Semiannual interim dividends may also be paid upon resolution of the Board of Directors, subject to certain limitations imposed by the Code.

Under the Code, the amount available for dividends is based on retained earnings as recorded on the Company's book. At March 31, 2000, retained earnings recorded on the Company's books, net of land revaluation loss, were ¥11,786 million ($111,189 thousand) which is available for future dividends subject to the approval of the shareholders and legal reserve requirements.

Under the terms of indenture for the 3.2% convertible bonds, the Company's cash dividend payments (including interim cash dividends) are restricted, on a cumulative basis, to an amount not to exceed the accumulated net income earned since March 31, 1995 plus ¥500 million ($4,717 thousand). Retained earnings allowed to be distributed under the terms as dividends at March 31, 2000 is ¥18,525 million ($174,764 thousand).

Retained earnings of ¥815 million ($7,689 thousand) can not be distributed as dividends under the Code due to the restriction regarding treasury stock for option plan.

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% and 48% for the years ended March 31, 2000 and 1999, respectively.

The tax effects of significant temporary differences and loss carryforwards which resulted in deferred tax assets and liabilities at March 31, 2000 are as follows:

	March 31, 2000	
	Millions of Yen	Thousands of U.S. Dollars
Deferred Tax Assets:		
Accrued bonuses	¥ 547	$ 5,160
Retirement benefits	651	6,141
Loss on valuation of membership	174	1,642
Other	260	2,453
Total deferred tax assets	¥1,632	$15,396
Deferred Tax Liabilities:		
Deferred gain on sale of fixed assets	¥ 6	$ 56
Total deferred tax liabilities	¥ 6	$ 56
Net deferred tax assets	¥1,626	$15,340

A reconciliation between the normal effective statutory tax rate for the year ended March 31, 2000 and the actual effective tax rates reflected in the accompanying consolidated statement of income is as follows:

	Year ended March 31, 2000
Normal effective statutory tax rate	**42.0%**
Expenses not deductible for income tax purpose	**0.5**
Revenues not recognized for income tax purpose	**(0.2)**
Per capita tax	**1.8**
Other—net	**0.1**
Actual effective tax rate	**44.2%**

The normal effective tax rate reflected in the accompanying consolidated statement of income for the year ended March 31, 1999 differs from the actual effective tax rate, primarily due to the effect of permanently non-deductible expenses and temporary differences in the recognition of asset and liability items for tax and financial reporting purposes.

9. LEASES

The Group leases certain machinery and equipment and other assets.

Total rental expenses under the above leases for the years ended March 31, 2000 and 1999 were ¥73 million ($689 thousand) and ¥189 million, respectively.

Pro forma information of leased property such as acquisition cost, accumulated depreciation, obligation under finance lease, depreciation expense and interest expense of finance leases that do not transfer ownership of the leased property to the lessee on a "as if capitalized" basis at March 31, 2000 and 1999 was as follows:

	Millions of Yen					
	2000			1999		
	Machinery and Equipment	Other	Total	Machinery and Equipment	Other	Total
Acquisition cost	**¥329**	**¥28**	**¥357**	¥893	¥27	¥920
Accumulated depreciation	**235**	**17**	**252**	638	19	657
Net leased property	**¥ 94**	**¥11**	**¥105**	¥255	¥ 8	¥263

	Thousands of U.S. Dollars		
	2000		
	Machinery and Equipment	Other	Total
Acquisition cost	**$3,104**	**$264**	**$3,368**
Accumulated depreciation	**2,217**	**160**	**2,377**
Net leased property	**$ 887**	**$104**	**$ 991**

Obligations under finance leases at March 31, 2000 and 1999:

	Millions of Yen		Thousands of U.S. Dollars
	2000	1999	**2000**
Due within one year	**¥ 67**	¥174	**$632**
Due after one year	**38**	89	**359**
Total	**¥105**	¥263	**$991**

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 ¥73 million ($689 thousand) and ¥189 million for the year ended March 31, 2000 and 1999, respectively.

Obligations under operating leases at March 31, 2000 and 1999:

	Millions of Yen		Thousands of U.S. Dollars
	2000	1999	**2000**
Due within one year	**¥1**	¥2	**$ 9**
Due after one year	**3**	—	**28**
Total	**¥4**	¥2	**$37**

10. SEGMENT INFORMATION

Information about industry segments of the Group for the year ended March 31, 2000 is omitted, since the composition of sales and assets of specific technology support to those of all segments exceeds 90% as a result of the liquidation of MEITEC AMERICA INCORPORATED on August 31, 1999.

In place for that, sales by other categories for the year ended March 31, 2000 are presented herein.

	(Unaudited) Millions of Yen	Thousands of U.S. Dollars
Engineering Outsourcing	**¥55,530**	**$523,868**
Other Outsourcing	**2,204**	**20,792**
Total	**¥57,734**	**$544,660**

The industry segments of the Group for the year ended March 31, 1999 are summarized as follows:

(a) Sales and Operating Income

	Millions of Yen				
	Specific Technology Support	Manpower Dispatching	Total	Eliminations/ Corporate	Consolidated
Sales to customers	¥56,447	¥4,355	¥60,802	—	¥60,802
Intersegment sales	—	24	24	¥(24)	—
Total sales	56,447	4,379	60,826	(24)	60,802
Operating expenses	46,141	4,546	50,687	(3)	50,684
Operating income (loss)	¥10,306	¥ (167)	¥10,139	¥(21)	¥10,118

(b) Assets, Depreciation and Capital Expenditures

	Millions of Yen				
	Specific Technology Support	Manpower Dispatching	Total	Eliminations/ Corporate	Consolidated
Assets	¥50,557	¥1,170	¥51,727	¥10,411	¥62,138
Depreciation	1,241	25	1,266	5	1,271
Capital expenditures	979	20	999	—	999

Information regarding geographic segments of the Group for the year ended March 31, 2000 is omitted, since the composition of sales and assets in Japan to those of all segments exceeds 90% as a result of the liquidation of MEITEC AMERICA INCORPORATED on August 31, 1999.

The geographic segments of the Group for the year ended March 31, 1999 are summarized as follows:

	Millions of Yen				
	Japan	North America	Total	Eliminations/ Corporate	Consolidated
Sales to customers	¥57,878	¥2,924	¥60,802	—	¥60,802
Intersegment sales	2	3	5	¥ (5)	—
Total sales	57,880	2,927	60,807	(5)	60,802
Operating expenses	47,606	3,062	50,668	16	50,684
Operating income	¥10,274	¥ (135)	¥10,139	¥ (21)	¥10,118
Assets	¥51,395	¥ 332	¥51,727	¥10,411	¥62,138

Information regarding sales to foreign customers for the year ended March 31, 2000 is omitted, since its composition to consolidated sales is less than 10% as a result of the liquidation of MEITEC AMERICA INCORPORATED on August 31, 1999.

Sales to foreign customers for the year ended March 31, 1999 amounted to ¥2,945 million for North America and ¥21 million for other area.

11. SUBSEQUENT EVENTS

(a) Appropriations of Retained Earnings

The following appropriations of retained earnings at March 31, 2000 were approved at the Company's shareholders meeting held on June 29, 2000:

	Millions of Yen	Thousands of U.S. Dollars
Year-end cash dividends, ¥23 ($0.22) per share	**¥519**	**$4,896**
Bonuses to directors and corporate auditors	**55**	**519**

(b) Stock Option Plan

The plan provides for granting options to directors and key employees to purchase up to 70,000 shares and 71,000 shares of the Company's common stocks, respectively, or in the aggregate of ¥635 million ($5,991 thousand), whichever comes first, for the period from June 30, 2002 to June 29, 2010. The option will be granted at an exercise price of 103% of the average closing price of the Company's common stock for the month prior to the month in which the options are granted. The Company plans to issue acquired treasury stock upon exercise of the stock options.

SUPPLEMENTAL NON-CONSOLIDATED STATEMENTS OF INCOME

YEARS ENDED MARCH 31, 2000 AND 1999

	Millions of Yen		Thousands of U.S. Dollars
	2000	1999	**2000**
NET SALES	**¥50,774**	¥51,785	**$479,000**
COST OF SALES	**35,492**	34,373	**334,830**
Gross profit	**15,282**	17,412	**144,170**
SELLING, GENERAL AND ADMINISTRATIVE EXPENSES	**7,592**	7,637	**71,623**
Operating income	**7,690**	9,775	**72,547**
OTHER INCOME (EXPENSES):			
Interest and dividends	**69**	116	**651**
Interest expense	**(57)**	(129)	**(538)**
Gain (Loss) on sale of marketable and investment securities	**147**	(167)	**1,387**
Write-down of marketable and investment securities	**(248)**	(172)	**(2,339)**
Loss on sale and disposal of fixed assets	**(511)**	(442)	**(4,821)**
Exchange loss	**(4)**	(62)	**(38)**
Other—net	**(483)**	(1,030)	**(4,556)**
Other expenses—net	**(1,087)**	(1,886)	**(10,254)**
INCOME BEFORE INCOME TAXES	**6,603**	7,889	**62,293**
INCOME TAXES			
Current	**3,086**	4,724	**29,113**
Deferred	**(185)**	—	**(1,745)**
Total	**2,901**	4,724	**27,368**
NET INCOME	**¥ 3,702**	¥ 3,165	**$ 34,925**

	Yen		U.S. Dollars
PER SHARE OF COMMON STOCK:			
Net income	**¥92.23**	¥78.97	**$0.87**
Diluted net income	**92.13**	78.80	**0.87**
Cash dividends applicable to the year	**23.00**	23.00	**0.22**

SUPPLEMENTAL NON-CONSOLIDATED BALANCE SHEETS

MARCH 31, 2000 AND 1999

	Millions of Yen		Thousands of U.S. Dollars
ASSETS	**2000**	1999	**2000**
CURRENT ASSETS:			
Cash and cash equivalents	**¥12,683**	¥12,383	**$119,651**
Short-term investments	**2,989**	4,683	**28,198**
Notes and accounts receivable:			
Trade notes and accounts	**9,609**	9,133	**90,651**
Subsidiaries	**7**	3	**66**
Allowance for doubtful accounts	**(40)**	(48)	**(377)**
Inventories	**182**	238	**1,717**
Deferred tax assets	**639**	—	**6,028**
Prepaid expenses and other current assets	**715**	723	**6,745**
Total current assets	**26,784**	27,115	**252,679**
PROPERTY AND EQUIPMENT:			
Land	**4,910**	8,793	**46,321**
Buildings and structures	**21,805**	21,730	**205,707**
Machinery and equipment	**184**	232	**1,736**
Furniture and fixtures	**6,098**	6,136	**57,528**
Construction in progress	**—**	302	**—**
Total	**32,997**	37,193	**311,292**
Accumulated depreciation	**(9,282)**	(8,830)	**(87,566)**
Net property and equipment	**23,715**	28,363	**223,726**
INVESTMENTS AND OTHER ASSETS:			
Investment securities	**1,525**	1,665	**14,387**
Investments in subsidiaries	**560**	243	**5,283**
Treasury stock	**815**	396	**7,689**
Leasehold deposits	**687**	626	**6,481**
Golf and other memberships	**401**	832	**3,783**
Deferred tax assets	**861**	—	**8,123**
Deferred tax asset for land revaluation	**1,629**	—	**15,368**
Other assets	**696**	395	**6,566**
Total investments and other assets	**7,174**	4,157	**67,680**
TOTAL	**¥57,673**	¥59,635	**$544,085**

LIABILITIES AND SHAREHOLDERS' EQUITY	Millions of Yen 2000	Millions of Yen 1999	Thousands of U.S. Dollars 2000
CURRENT LIABILITIES:			
Short-term borrowings	**¥ 1,060**	¥ 1,120	**$ 10,000**
Current portion of long-term debt	**753**	2,234	**7,104**
Notes and accounts payable:			
Trade notes	**42**	23	**396**
Subsidiaries	**32**	45	**302**
Income taxes payable	**700**	2,819	**6,604**
Accrued expenses	**4,903**	4,867	**46,255**
Other current liabilities	**947**	1,188	**8,934**
Total current liabilities	**8,437**	12,296	**79,595**
LONG-TERM LIABILITIES:			
Long-term debt	**42**	900	**396**
Liability for retirement benefits	**2,334**	2,021	**22,019**
Other	**549**	—	**5,179**
Total long-term liabilities	**2,925**	2,921	**27,594**
SHAREHOLDERS' EQUITY:			
Common stock, ¥50 par value			
Authorized: 80,000 thousand shares			
Issued and outstanding:			
40,159 thousand shares in 2000			
40,083 thousand shares in 1999	**16,806**	16,753	**158,547**
Additional paid-in capital	**16,641**	16,588	**156,991**
Legal reserve	**1,078**	938	**10,170**
Revaluation loss	**(2,249)**	—	**(21,217)**
Retained earnings	**14,035**	10,139	**132,405**
Total shareholders' equity	**46,311**	44,418	**436,896**
TOTAL	**¥57,673**	¥59,635	**$544,085**

Deloitte Touche Tohmatsu

INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
MEITEC CORPORATION:

We have examined the consolidated balance sheets of MEITEC CORPORATION and consolidated subsidiaries as of March 31, 2000 and 1999, and the related consolidated statements of income and shareholders' equity for the years then ended, and the consolidated statement of cash flows for the year ended March 31, 2000, all expressed in Japanese yen. Our examinations were made in accordance with auditing standards, procedures and practices generally accepted and applied in Japan and, accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the consolidated financial statements referred to above present fairly the financial position of MEITEC CORPORATION and consolidated subsidiaries as of March 31, 2000 and 1999, and the results of their operations for the years then ended and their cash flows for the year ended March 31, 2000 in conformity with accounting principles and practices generally accepted in Japan applied on a consistent basis.

As described in Note 2, effective April 1, 1999, the consolidated financial statements have been prepared in accordance with new accounting standards for consolidated financial statements and interperiod allocation of income taxes.

Our examinations were conducted for the purpose of forming an opinion on the basic consolidated financial statements taken as a whole. The supplemental non-consolidated balance sheets as of March 31, 2000 and 1999, and non-consolidated statements of income for the years then ended, are presented for the purpose of additional analysis and are not a required part of the basic consolidated financial statements. These non-consolidated statements are the responsibility of the Company's management. Such non-consolidated financial statements have been subjected to our examination of the basic consolidated financial statements and, in our opinion, are fairly stated in all material respects when considered in relation to the basic consolidated financial statements taken as a whole.

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

Deloitte Touche Tohmatsu

June 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 Tel.: (052) 532-1811
Establishment	July 17, 1974
Common Stock	Par value: ¥50 per share Authorized: 80,000,000 shares Issued: 40,158,819 shares
Shareholders	12,842
Employees	6,381
Lines of Business	Providing engineering services to major Japanese manufacturing companies in the fields of high-technology research and development
Consolidated Subsidiaries	Japan Outsourcing Incorporated Japan Cast Inc. MeiService Co., Ltd.

(March 31, 2000)

Branches	38 facilities

(June 1, 2000)

Board of Directors and Auditors

President and Chief Executive Officer	Kousuke 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.

(June 29, 2000)

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