MEITEC

THE ENGINEERING OUTSOURCING® COMPANY

2007

People and Technology Leading the Way to the Future

ANNUAL REPORT 2007 Year Ended March 31, 2007

Following the concept of "Mutual Growth and Prosperity," Meitec Corporation's Engineering Outsourcing services have supported the technological development of more than 4,000 companies throughout Japan. As the leading company in the industry, Meitec launched its consolidated management plan, Global Vision 21, in April 2003 to ensure that it continues to play a vital role as an ultimate personal office and engineering division for the entire manufacturing industry, and contributes to society by utilizing the full potential of engineers, an invaluable management resource.

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Consolidated Financial Highlights

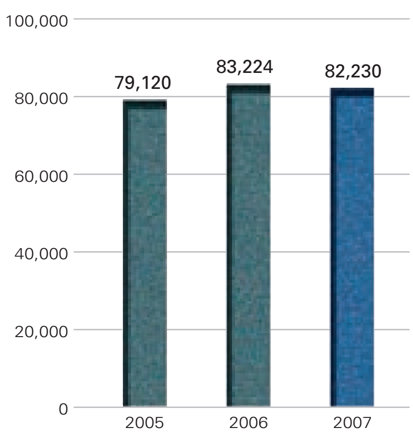
MEITEC CORPORATION and Subsidiaries

Years ended March 31	2007	2006	2005	2007
	Millions of yen			Thousands of U.S. dollars (Note 1)
Net sales	**¥ 82,230**	¥ 83,224	¥ 79,120	**$ 696,864**
Operating income	**11,582**	12,485	12,289	**98,152**
Net income	**295**	5,302	4,708	**2,502**
Total assets	**57,479**	67,185	68,675	**487,113**
Total equity (Note 3)	**38,684**	46,668	49,218	**327,826**
	Yen			U.S. dollars (Note 1)
Per Share of Common Stock:				
Total equity (Note 3)	**¥ 1,092.80**	¥ 1,274.10	¥ 1,295.04	**$ 9.26**
Cash dividends	**89.00**	90.50	64.00	**0.77**
Basic net income (Note 2)	**8.20**	138.93	126.61	**0.07**
	%			
Return on average equity	**0.7**	11.1	10.2	

Notes: 1. U.S. dollar amounts are translated from Japanese yen, for convenience only, at the rate of ¥118 to $1, the approximate exchange rate prevailing as of March 31, 2007.
2. Basic net income per share is computed based on the weighted average number of shares outstanding during each term.
3. The amount of total equity and total equity per share at March 31, 2006 and 2005, respectively, represents the value of total shareholders' equity and total shareholders' equity per share, respectively.

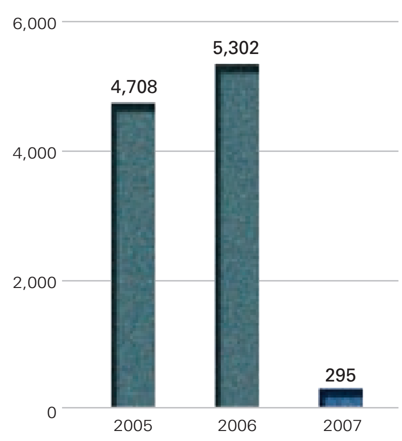
NET SALES

(Millions of Yen)



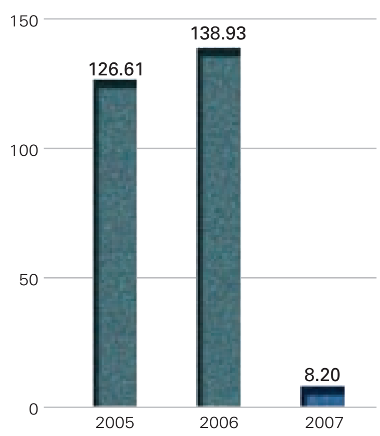
NET INCOME

(Millions of Yen)



NET INCOME PER SHARE

(Yen)



To Our Shareholders

I would like to express my sincere appreciation for your continuing support of Meitec Corporation ("Meitec" or "the Company"). I am pleased to present our business report for the fiscal year ended March 31, 2007.

During the subject fiscal year, the Japanese economy retained its strength from the previous fiscal year, despite such concerns as lackluster personal spending and a lack of transparency regarding the future direction of the U.S. and Chinese economies, both of which are strongly tied to Japan's economy. In particular, the manufacturing industry—which includes the majority of Meitec's primary clients—saw sustained investment in development and facilities for strategic fields, though there were differences among companies.

In this market environment, as an overview of the four businesses of the Meitec Group, the mainstay temporary engineers staffing business recorded an increase in sales but a decrease in earnings, the engineering solutions business recorded rises in both sales and earnings, while the global business posted rising sales and falling earnings. The career support business posted declines in both sales and earnings, due mainly to the sale in August 2006 of Novations Group Inc., the U.S. subsidiary of the Company's consolidated subsidiary Drake Beam Morin-Japan, Inc. (DBM-J).

Net income for the subject fiscal year declined as a result of a ¥674 million loss on sale of overseas business following the sale of Novations Group Inc., the U.S. subsidiary of the Company's subsidiary DBM-J; a ¥4,292 million extraordinary loss for impairment of goodwill in DBM-J; and a ¥671 million reversal of deferred tax assets made in consideration of the potential recovery of deferred tax assets related to revaluation of land.

The outsourcing business—which accounted for 92% of consolidated net sales—recorded an increase in revenue for the seventh consecutive fiscal year, rising 1.3% from the previous fiscal year to ¥75,988 million. Operating income, declined 5.1% to ¥12,113 million as a result of expanded recruitment and facilities, as well as a rise in selling, general and administrative (SG&A) expenses for business expansion. The core business of temporary engineers staffing, which accounted for 88% of consolidated sales, was able to make up for the decline in sales caused by a corporate separation of the CAE business during the subject fiscal period (to form MEITEC CAE CORPORATION), achieving a 0.6% increase in sales. The main reasons for this were a sustained high utilization rate, and rise in contract rates. Also, MEITEC FIELDERS INC. recorded a 3.5% rise in sales mainly by focusing on mid-career recruitment to increase the number of utilized personnel. By business segment in the temporary engineers staffing business, sales in the four areas of industrial machinery, precision equipment, IT-related hardware and devices, and semiconductor equipment and devices rose year on year. The registered-style temporary staffing business run by MEITEC CAST Inc. achieved a 3.7% rise in earnings stemming from efforts conducted in cooperation with the Company and Meitec Fielders to strengthen sales to our main clients in the manufacturing industry. However, earnings (operating income) declined 19.6% due to an increase in SG&A expenses arising from anticipatory investment for a change in the corporate name, establishment of offices and strengthening of the sales structure, implemented for the purpose of business expansion. MEITEC EXPERTS CORPORATION, which provides staffing of senior technicians (general outsourcing), despite having just been launched in April 2006, is expected to make a substantial contribution to consolidated sales and earnings from the next fiscal year.

The engineering solutions business primarily serves Meitec Group clients (the manufacturing industry) with temporary engineers who are placed in key positions to conduct such design and development activities as fabrication of prototype models and printed circuit boards. Engineering solutions companies Three D Tec Inc. (3D Tec) and Information Management System Co., Ltd. (IMS) each achieved increased sales by expanding the scope of their services and enhancing marketing efforts. Apollo Giken Co., Ltd., which was added to the Meitec Group in October 2005 and handles the printed circuit board business along with IMS, achieved profitability during the subject period after running a deficit through the previous fiscal year. Meitec CAE, which was spun off from Meitec in April 2006, is also off to a strong start, achieving profitability (operating income) for the subject fiscal period.

Global business also recorded rising sales. This was due mainly to full-scale operations of the bridge engineer business (staffing business to place Chinese engineers trained at facilities in China in positions in Japan), in which the number of placements rose from 30 the previous fiscal year to 86 during the subject fiscal year. However, this business posted an operating loss as a result of prime costs and SG&A expenses recorded as prior investment costs to train bridge engineers.

The career support business comprises the outplacement business and the job placement business.

The Group's main outplacement business company, DBM-J, again recorded a decline in sales from the previous fiscal period, due to the impact of shrinkage in the outplacement market. However, the firm managed to narrow its operating loss through the introduction of a performance-based personnel system, along with efforts to reduce SG&A expenses that included integration and closure of business offices. Also, the sale of Novations Group Inc. in August 2006 significantly lessened the subsidiary's downside risk. MEITEC NEXT CORPORATION, established in July 2006, in October launched its job placement business specializing in engineers, and is expected to make a full-scale contribution to consolidated earnings from the next fiscal year.

As a result of this business development, consolidated net sales decreased 1.2% from the previous fiscal year to ¥82,230 million. In terms of profitability, operating income fell 7.2% to ¥11,582 million, ordinary income declined 8.6% to ¥11,487 million, and net income dropped 94.4% to ¥295 million. Return on equity (ROE) fell 10.4 percentage points to 0.7%.

The Company's policy calls for maintaining a dividend payout ratio greater than 50% of consolidated net income per share. For the fiscal year under review, dividends were set at ¥89.00 per share, including an interim dividend of ¥44.0 per share.

Thank you for your continued support of Meitec.

June 2007

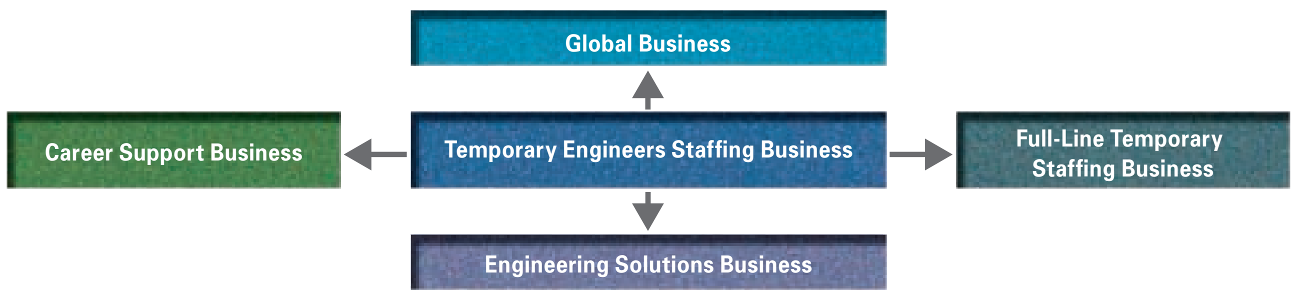
Kosuke Nishimoto
President, CEO & COO

Group Strategy

The Meitec Group focuses on its core temporary engineers staffing business, from which it extends into four areas: the full-line temporary staffing business; the engineering solutions business; the global business; and the career support business. Each Group company forms organic connections with the others while making effective use of its own strengths, as the Group grows in these four directions.

This "gateway strategy" allows us to provide on a Group-wide basis the various resources and services necessary to the business processes of the manufacturing industry, our principal client.

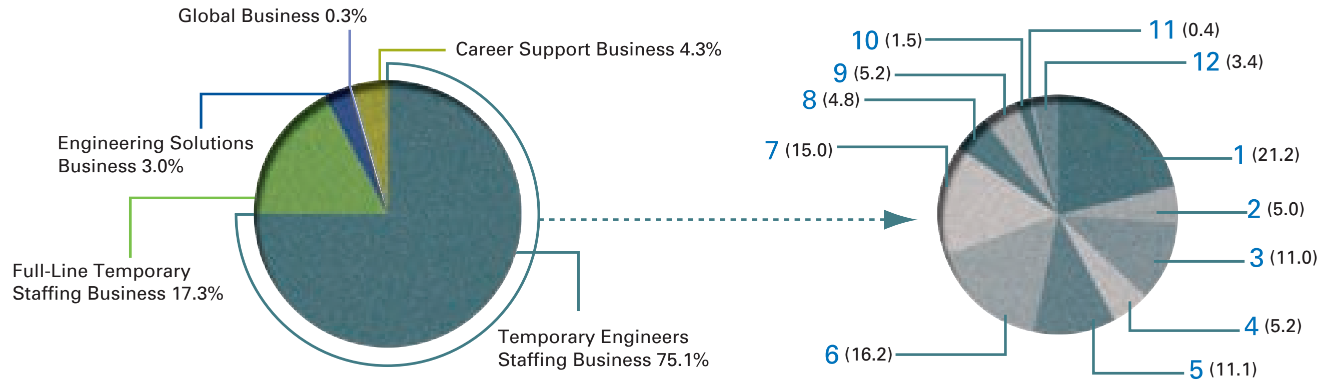
MEITEC GROUP'S BUSINESS DOMAINS



Temporary Staffing Business	Temporary Engineers Staffing Business	Meitec	Temporary Engineers Staffing Business, the core business of the Group
	Full-Line Temporary Staffing Business	Meitec Fielders	Middle-range temporary engineers staffing business
		Meitec Cast	Registration-type temporary staffing business mainly for the manufacturing industry
		Meitec Experts	Registration-type temporary engineers staffing business specializing in senior staff
Engineering Solutions Business		3D Tec	Engineering solutions business specializing in three-dimensional CAD design technology
		IMS	Engineering solutions business specializing centered on printed circuit board design
		Apollo Giken	
		Shanghai Apomac	
		Meitec CAE	Engineering solutions business specializing mainly in analysis-related technologies
Global Business		Meitec Global Solutions	Personnel supply business for the global business in Japan
		Meitec Shanghai	Personnel supply business for the global business in China
		MEITEC Dalian TechnoCenter	Personnel training business for the global business in China
		MEITEC Guangzhou TechnoCenter	
		MEITEC Xian TechnoCenter	
		ZHEJIANG MI High Technology	
Career Support Business		DBM-J	Outplacement business
		Meitec Next	Job placement business specializing in engineers

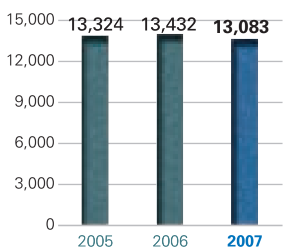
Operational Review

REVENUE BY MEITEC GROUP'S BUSINESS DOMAIN / MEITEC REVENUES BY CUSTOMER



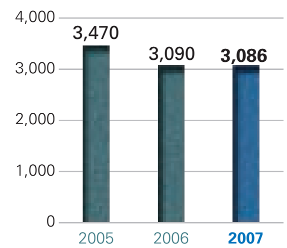
1 Automobile/Transportation 21.2%

NET SALES (Millions of Yen)



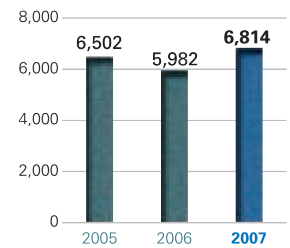
2 Aircraft/Aerospace 5.0%

NET SALES (Millions of Yen)



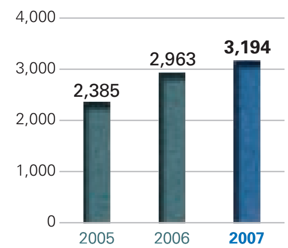
3 Industrial Machinery 11.0%

NET SALES (Millions of Yen)



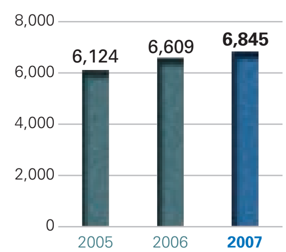
4 Precision Equipment 5.2%

NET SALES (Millions of Yen)



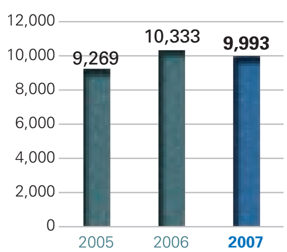
5 IT-Related Hardware and Devices 11.1%

NET SALES (Millions of Yen)



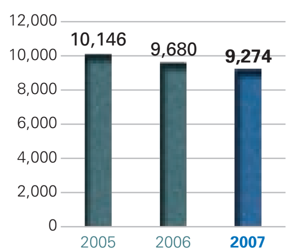
6 Electric and Electronics 16.2%

NET SALES (Millions of Yen)



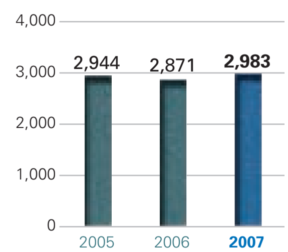
7 Semiconductors and Integrated Circuit Design 15.0%

NET SALES (Millions of Yen)



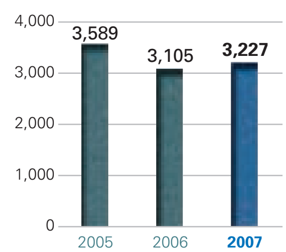
8 Semiconductor Equipment and Devices 4.8%

NET SALES (Millions of Yen)



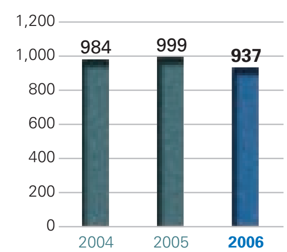
9 Information Processing Software 5.2%

NET SALES (Millions of Yen)



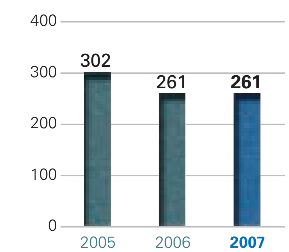
10 Plant 1.5%

NET SALES (Millions of Yen)



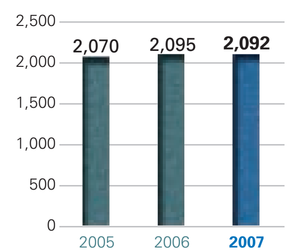
11 Construction 0.4%

NET SALES (Millions of Yen)



12 Other 3.4%

NET SALES (Millions of Yen)



Management Policies

BASIC MANAGEMENT POLICY

The Meitec Group's basic management policy is to realize mutual growth and prosperity for shareholders, customers and employees by providing outsourcing services, while contributing to the development of an advanced information society. As the leading group of companies in this industry, we have adopted the following policies to ensure that we grow in step with society.

1) SHAREHOLDER SATISFACTION:
The Meitec Group shall try to maximize the value of the Company to benefit its shareholders.

2) CUSTOMER SATISFACTION:
The Meitec Group shall become a strategic partner for its clients and achieve business advancement together, by sharing such management resources as engineers and information.

3) EMPLOYEE SATISFACTION:
The Meitec Group shall support the efforts of each and every employee for their advancement in market value and their careers.

The Meitec Group is focusing its business operations primarily on the manufacturing industries, which allows the maximum utilization of Group's management resources and the fullest expression of the Group's strengths. At the same time, by advancing according to the Group's strategy, we plan to expand our business into the fields peripheral to our core business of engineering outsourcing.

DIVIDEND POLICY

Meitec returns profits to shareholders through cash dividends and retirement of stock. In addition, the Company maintains a basic policy of providing returns to shareholders based on its operating performance. The dividend payout ratio was set at more than 30% of consolidated net income beginning in the fiscal year ended March 31, 2001. Moreover, it has been decided that the dividend payout ratio shall be equivalent to 50% or more of consolidated net income unless there is a need for large-scale capital for investment in the successive half-year period.

The Company retires shares as a means of improving capital efficiency, linked to the Group's cash management.

Specifically, when the Company's cash position at the end of the fiscal year exceeds the amount of capital deemed necessary for operation of the Meitec Group (two months of monthly revenue), retained earnings in excess of this amount are designated as funds for retirement of shares during the following fiscal year. The retirement of shares is conducted in two stages, with each comprising half the designated amount used to retire shares when no investments with substantial capital demand are planned during the succeeding fiscal half-year.

Internal reserves serve not only to strengthen the Company's financial position, but also to fund investments in training facilities, information systems and improvement of the quality of services provided to customers, as well as to fund the investments required for increasing the value added in our core business, where we are expanding our business domain through alliances with other firms. These investments are directed at increasing the Company's earnings, and are therefore in the best interests of shareholders.

MANAGEMENT GOALS

In the interests of shareholders, Meitec pursues a management policy of increasing its earnings and improving its capital efficiency. Accordingly, the Company has set a firm goal of keeping ROE above 10%. Meitec's Global Vision 21 consolidated management plan, which was implemented in the fiscal year ended March 31, 2004, has established an ROE goal of 15%.

The Meitec Group Management Plan: Global Vision 21

The Meitec Group has completed the fourth year of its five-year management plan, Global Vision 21. The fiscal year ending March 31, 2008 will be the final year of this plan, while at the same time we have begun to compile measures for the three-year plan that will begin the following fiscal year, True Global Vision 21. Through this plan, we will reconfirm the goals and targets of each business field, and raise the corporate value of the Group to make it the true leader in the industry. This section introduces the various measures being undertaken for each business area.

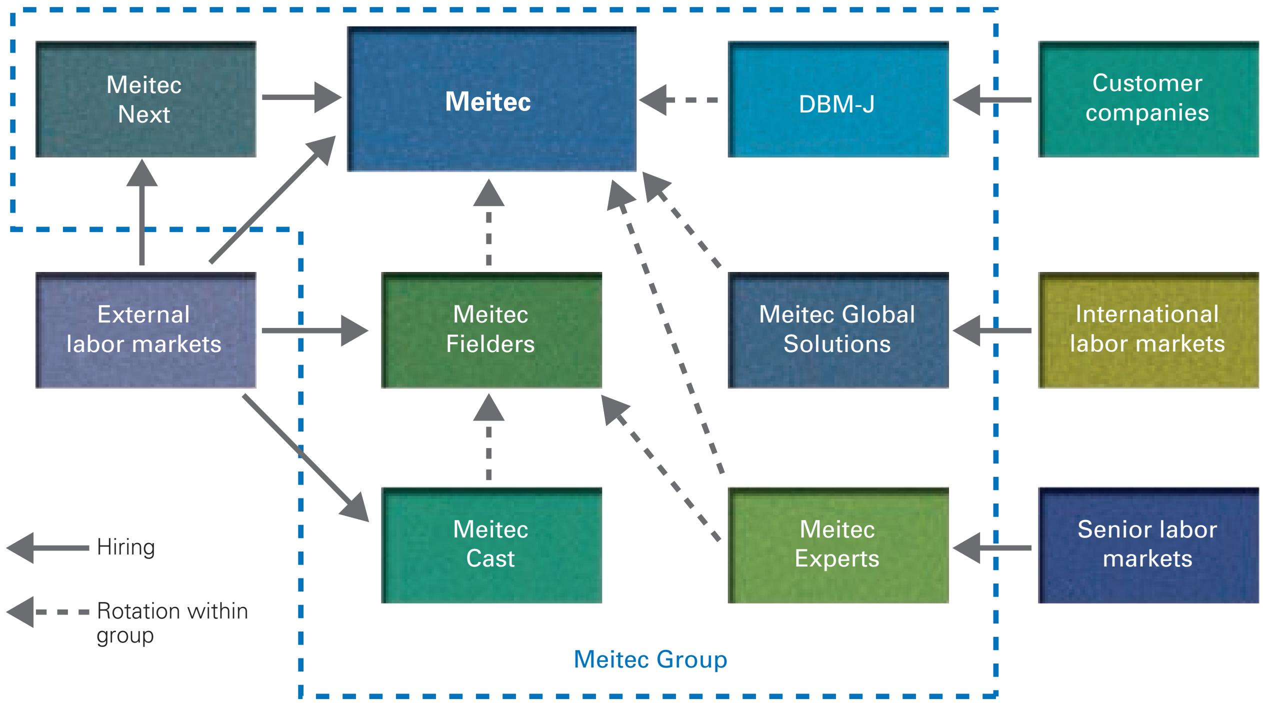
TEMPORARY ENGINEERS STAFFING BUSINESS

The Meitec Group covers a wide range of operational phases for temporary engineers, and with a widespread structure that provides for all the needs of its customers has pursued "broadbandization" of the engineers staffing business since its launch in the fiscal year ended March 31, 2004.

Meitec will continue to accelerate career promotion for engineers through other brands, while retaining Meitec as its core brand. At the same time, we will establish rules and create platforms for Meitec Group employees that will allow them to move within the Group while selecting the career plan that is best for them. By increasing the satisfaction of our employees, we aim to provide a more satisfying service for our customers.

We will create structures that allow part-time workers and others from a wide range of fields the opportunity to rise to a new career stage as engineers. We will also establish an employee referral system and market-oriented hiring structure as part of our strategy to increase the number of employees to 10,000 engineers across the five Meitec Group brands.

MEITEC GROUP HEADCOUNT GROWTH STRATEGY

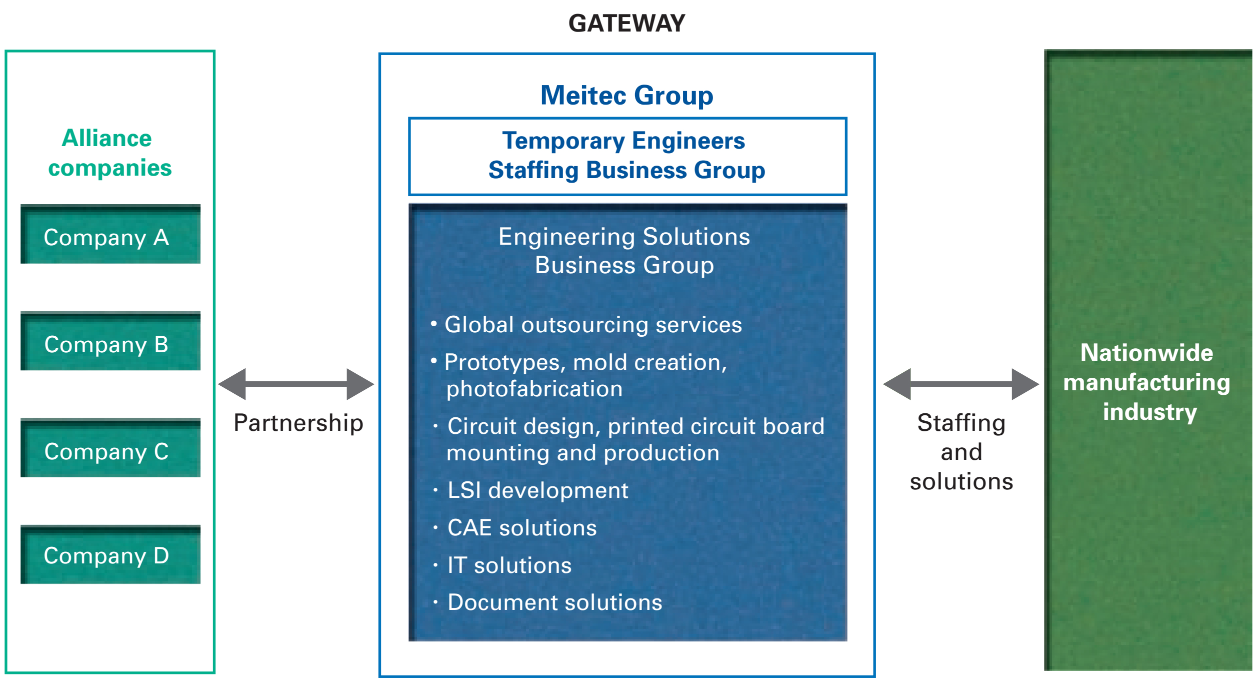


ENGINEERING SOLUTIONS BUSINESS

Meitec's engineering solutions business up to now has focused mainly on contract production of prototypes, printed circuit boards and other tasks associated with design development. We will bolster the functions of this business to provide a supplementary role that will raise the value of the main engineering staff business. By enhancing the gateway function that allows the entire Group to provide comprehensive services and solutions, we will distinguish ourselves from our competitors.

Going forward, Meitec will strengthen the interface function that improves the speed and appropriateness of our responses to the needs in this business, while seeking to build a far-reaching network. We plan to increase the number of partner companies from 213 to 500 companies by the fiscal year ending March 31, 2011. The engineering solutions business, while fulfilling its supplementary role for the temporary engineers staffing business, will pursue profitability as a stand-alone business, with a target of ¥5,000 million in net sales.

THE MEITEC GROUP GATEWAY STRATEGY



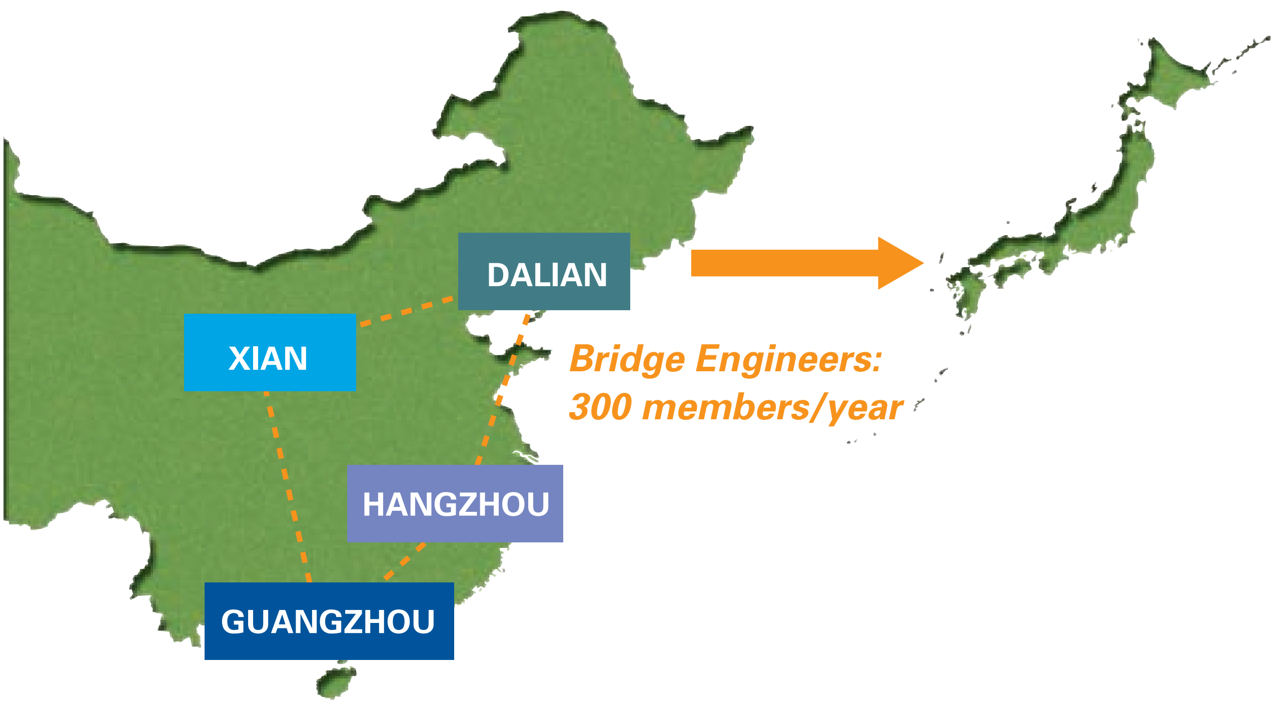
GLOBAL BUSINESS

The Meitec Group has established four training centers in China for the bridge engineer business launched from the fiscal year ended March 31, 2006. These facilities have helped to enhance the human resource supply channels that form part of our global strategy.

The training centers will soon be operating at full capacity, and we expect to graduate more than 300 bridge engineers annually by the fiscal year ending March 31, 2011. Along with dispatching these engineers to Japan and referring them to Japanese companies with local operations, Meitec intends to establish a temporary engineers staffing business in China. We also aim to increase the number of group personnel overall through business development that augments the bridge engineer business.

The bridge engineer business in China will also serve as a model for the "Over China" project, under which we are considering expansion into Vietnam, Thailand and other Asian countries. This project is part of our global development efforts to support the overseas expansion of the Japanese manufacturing industry, Meitec's main customer base.

BRIDGE ENGINEER BUSINESS IN CHINA



CAREER SUPPORT BUSINESS

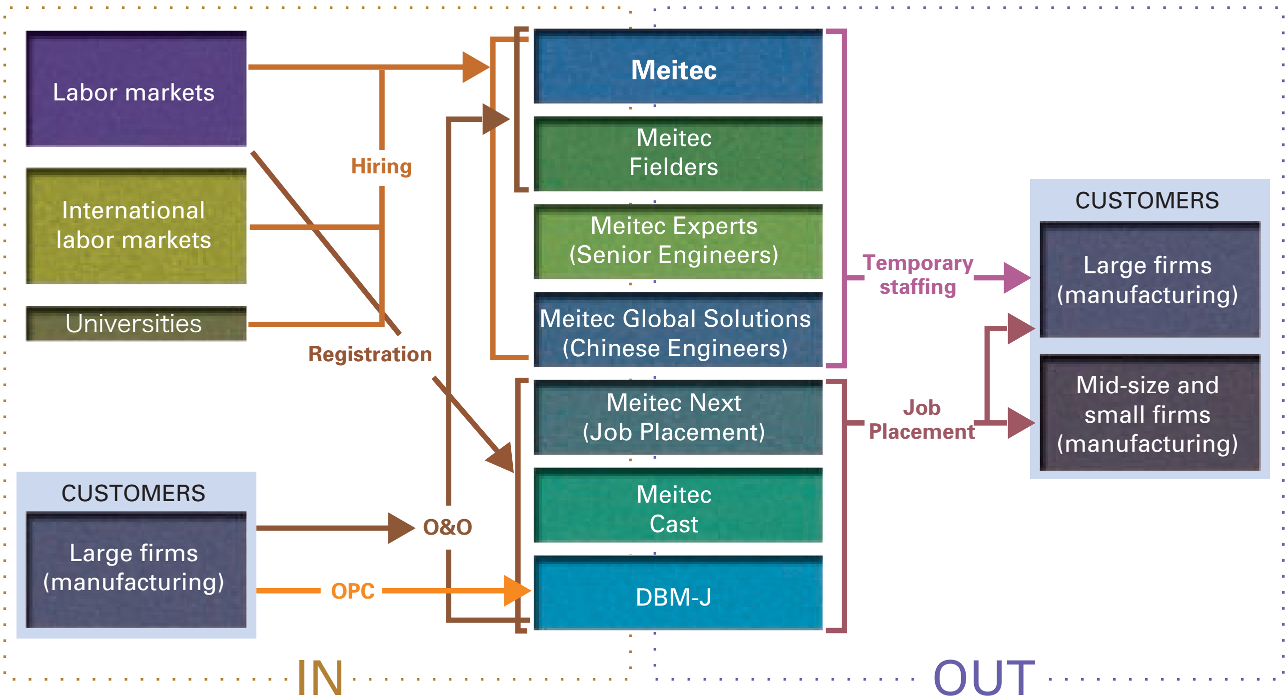
The human resources business of Meitec Next was launched in 2006. This marked a significant turning point for the Meitec Group, in the sense that it was a step back from our mainstay business of temporary staffing into the field of personnel placement for our client companies.

There are already many companies engaged in the human resources business, but the Meitec Group hopes to establish its independence and competitive superiority by focusing on engineers and the manufacturing business (people and technology).

Meitec is also helping to contribute to the professional development of engineers and the growth of its client companies through the outplacement and outsourcing (O&O) business,* providing a service that supports the optimization of personnel in line with client needs. We expect to provide career support to 4,000 engineers annually by the fiscal year ending March 31, 2011.

* O&O business: The Meitec Group accepts on external assignment engineers from its client companies that are mismatched in their current positions and unable to flourish sufficiently in their careers, and dispatches them to companies in need of engineers.

RELATIONSHIP BETWEEN CUSTOMERS FOR THE TEMPORARY ENGINEERS STAFFING BUSINESS AND THE HUMAN RESOURCES BUSINESS



Five-Year Summary

CONSOLIDATED

Performance and Ratios

	Millions of yen, except where noted				
	2007	2006	2005	2004	2003
Net sales	**¥ 82,230**	¥83,224	¥ 79,120	¥ 71,255	¥ 65,737
Operating income	**11,582**	12,485	12,289	12,267	9,149
Operating income margin (%)	**14.1**	15.0	15.5	17.2	13.9
Net income	**¥ 295**	¥ 5,302	¥ 4,708	¥ 6,709	¥ 5,472
Net profit margin (%)	**0.4**	6.4	6.0	9.4	8.3
Return on average equity (%)	**0.7**	11.1	10.2	15.2	12.1

Capital Safety

Total assets	**¥ 57,479**	¥ 67,185	¥68,675	¥ 60,882	¥ 59,831
Equity ratio (%)	**66.9**	69.5	71.7	70.1	75.9
Ratio of SG&A expenses to net sales (%)	**15.7**	16.9	15.6	13.1	12.6

Per Share Indicators

	Yen				
Net income (basic)	**¥ 8.20**	¥ 138.93	¥ 126.61	¥ 185.69	¥ 145.15
Cash dividends	**89.00**	90.50	64.00	78.00	47.50
Total equity	**1,092.80**	1,274.10	1,295.04	1,228.41	1,244.88

NON-CONSOLIDATED

Performance and Ratios

	Millions of yen, except where noted				
	2007	2006	2005	2004	2003
Net sales	**¥ 61,795**	¥ 61,426	¥61,110	¥59,519	¥55,379
Operating income	**10,621**	11,132	11,219	10,758	8,027
Operating income margin (%)	**17.2**	18.1	18.4	18.1	14.5
Net income (loss)	**¥ (84)**	¥ 6,820	¥ 6,854	¥ 6,044	¥ 5,018
Net profit margin (%)	**—**	11.1	11.2	10.2	9.1
Return on average equity (%)	**—**	14.3	15.6	14.6	11.7

Capital Safety

Total assets	**¥58,912**	¥69,727	¥65,501	¥58,994	¥ 58,297
Equity ratio (%)	**65.6**	67.8	73.8	67.1	73.7
Ratio of SG&A expenses to net sales (%)	**13.0**	12.9	12.8	13.2	12.7

Per Share Indicators

	Yen				
Net income (loss) (basic)	**¥ (2.33)**	¥ 179.94	¥ 185.84	¥ 167.03	¥ 133.16
Total equity	**1,097.61**	1,290.69	1,271.33	1,138.81	1,177.55

Note: The amount of total equity per share at March 31, 2006, 2005, 2004 and 2003 represents the value of total shareholders' equity per share.

Consolidated Financial Review

TOTAL CURRENT ASSETS

Total current assets, despite strong business performance, decreased ¥3,563 million (US$30,195 thousand) from the previous fiscal year owing to expenditures for retirement of treasury stock, dividends, and taxes.

TOTAL FIXED ASSETS

Total fixed assets declined ¥6,143 million (US$52,059 thousand). This mainly reflected decreases in goodwill in Novations Group Inc. and Drake Beam Morin-Japan, Inc. following the sale of the overseas business (Novations Group Inc.).

TOTAL LIABILITIES

Total liabilities decreased ¥1,530 million (US$12,966 thousand) from the previous fiscal year. Although income taxes payable declined ¥1,975 million (US$16,737 thousand) as a result of tax payments and reserves accumulated during the subject fiscal year, the liability for retirement benefits increased ¥746 million (US$6,322 thousand).

TOTAL EQUITY

Total equity decreased ¥7,984 million (US$67,661 thousand) from the previous fiscal year to ¥38,684 million (US$327,826 thousand), following a decline of ¥8,381 million (US$71,025 thousand) in retained earnings resulting from business results and payment of dividends.

NET SALES

Although earnings rose in the temporary engineers staffing business, engineering solutions business and global business, the sale of Novations Group Inc. in the career support business resulted in an overall decline in sales on a consolidated basis.

NET INCOME

Net income declined from the previous fiscal year owing mainly to a ¥4,292 million (US$36,373 thousand) impairment of consolidation goodwill in Drake Beam Morin-Japan, Inc., recorded as an extraordinary loss.

CASH FLOWS

Net cash provided by operating activities amounted to ¥6,016 million (US$50,987 thousand), while net cash used in investing activities was ¥956 million (US$8,101 thousand), owing mainly to expenditures for acquisition of intangible fixed assets related to the building of a new core IT system. Net cash used in financing activities totaled ¥8,366 million (US$70,905 thousand), mainly for acquisition of treasury stock and dividends paid.

As a result, cash and cash equivalents at the end of the subject fiscal year decreased ¥3,298 million (US$27,950 thousand) from the end of the previous fiscal year to ¥13,977 million (US$118,452 thousand).

Consolidated Balance Sheets

MEITEC CORPORATION and Subsidiaries
Years Ended March 31, 2007 and 2006

ASSETS	Millions of Yen 2007	Millions of Yen 2006	Thousands of U.S. Dollars (Note 1) 2007
CURRENT ASSETS:			
Cash and cash equivalents	¥ 13,977	¥ 17,275	$ 118,452
Short-term investments (Note 3)	4,471	4,131	37,889
Notes and accounts receivable:			
Trade notes and accounts	13,257	13,356	112,344
Allowance for doubtful receivables	(12)	(30)	(102)
Inventories (Note 4)	425	803	3,604
Deferred tax assets (Note 10)	2,524	2,603	21,389
Prepaid expenses and other	922	989	7,820
Total current assets	35,564	39,127	301,396
PROPERTY AND EQUIPMENT:			
Land	3,909	3,909	33,124
Buildings and structures	21,377	21,387	181,161
Furniture and fixtures	3,153	3,278	26,721
Others	299	300	2,537
Total	28,738	28,874	243,543
Accumulated depreciation	(14,189)	(13,659)	(120,248)
Net property and equipment	14,549	15,215	123,295
INVESTMENTS AND OTHER ASSETS:			
Investment securities (Note 3)	1,341	1,614	11,362
Investments in associated companies		20	
Consolidation goodwill	719	5,110	6,093
Goodwill		1,119	
Software in process	754	51	6,388
Leasehold deposits	1,144	1,217	9,691
Deferred tax assets (Note 10)	2,328	2,242	19,733
Deferred tax assets for land revaluation (Note 2.h)		630	
Other	1,080	840	9,155
Total investments and other assets	7,366	12,843	62,422
TOTAL	¥ 57,479	¥ 67,185	$ 487,113

See notes to consolidated financial statements.

LIABILITIES AND EQUITY	Millions of Yen 2007	Millions of Yen 2006	Thousands of U.S. Dollars (Note 1) 2007
CURRENT LIABILITIES:			
Accounts payable	¥ 120	¥ 53	$ 1,017
Income taxes payable	1,525	3,500	12,928
Accrued expenses	8,041	7,924	68,142
Other	2,873	3,344	24,350
Total current liabilities	12,559	14,821	106,437
LONG-TERM LIABILITIES:			
Deferred tax liabilities (Note 10)	3		26
Deferred tax liabilities for land revaluation (Note 2.h)	42		357
Liability for retirement benefits (Note 6)	6,176	5,430	52,341
Other	15	74	126
Total long-term liabilities	6,236	5,504	52,850
MINORITY INTERESTS		192	
EQUITY (Note 7):			
Common stock—authorized, 142,854 thousand shares in 2007 and 2006; issued, 35,442 thousand shares in 2007 and 36,842 thousand shares in 2006	16,826	16,826	142,592
Capital surplus	15,481	15,481	131,191
Retained earnings	7,847	16,228	66,500
Unrealized gain on available-for-sale securities	223	286	1,895
Land revaluation difference (Note 2.h)	(944)	(944)	(8,003)
Foreign currency translation adjustments	28	(11)	234
Treasury stock—at cost, 256 thousand shares in 2007 and 306 thousand shares in 2006	(1,009)	(1,198)	(8,550)
Total	38,452	46,668	325,859
Minority interests	232		1,967
Total equity	38,684	46,668	327,826
TOTAL	¥ 57,479	¥ 67,185	$ 487,113

Consolidated Statements of Income

MEITEC CORPORATION and Subsidiaries
Years Ended March 31, 2007 and 2006

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2007	2006	2007
NET SALES	¥ 82,230	¥ 83,224	$ 696,864
COST OF SALES	57,702	56,685	488,996
Gross profit	24,528	26,539	207,868
SELLING, GENERAL AND ADMINISTRATIVE EXPENSES	12,946	14,054	109,716
Operating income	11,582	12,485	98,152
OTHER INCOME (EXPENSES):			
Interest and dividend income	34	46	288
Interest expense		(3)	(2)
Gain on sales of marketable and investment securities—net	6	56	48
Reversal of provision for loss on foreign operations		101	
Loss on impairment of investment securities		(1,128)	
Foreign exchange loss	(44)		(373)
Equity in losses of associated companies	(11)	(15)	(96)
Loss on investments in partnership—net	(77)		(655)
Loss on sales and disposals of property and equipment—net	(100)	(192)	(847)
Loss on write-down of goodwill		(887)	
Loss on impairment of consolidation goodwill (Note 9)	(4,292)		(36,373)
Gain on liquidation of foreign operations		327	
Loss on sales of foreign operations (Note 9)	(674)		(5,710)
Other—net	(24)	76	(191)
Other expenses—net	(5,182)	(1,619)	(43,911)
INCOME BEFORE INCOME TAXES AND MINORITY INTERESTS	6,400	10,866	54,241
INCOME TAXES (Note 10):			
Current	5,370	5,985	45,506
Deferred	721	(400)	6,111
Total income taxes	6,091	5,585	51,617
MINORITY INTERESTS IN NET INCOME (LOSS)	14	(21)	122
NET INCOME	¥ 295	¥ 5,302	$ 2,502

	Yen		U.S. Dollars
	2007	2006	2007
PER SHARE OF COMMON STOCK (Notes 2.q and 12):			
Basic net income	¥ 8.20	¥ 138.93	$ 0.07
Diluted net income	8.20	138.91	0.07
Cash dividends applicable to the year	89.00	90.50	0.77

See notes to consolidated financial statements.

Consolidated Statements of Shareholders' Equity

MEITEC CORPORATION and Subsidiaries
Years Ended March 31, 2007 and 2006

	Thousands	Millions of Yen									
	Outstanding Number of Shares of Common Stock	Common Stock	Capital Surplus	Retained Earnings	Unrealized Gain (Loss) on Available-for-sale Securities	Land Revaluation Difference	Foreign Currency Translation Adjustments	Treasury Stock	Total	Minority Interests	Total Equity
BALANCE, APRIL 1, 2005	37,926	¥ 16,826	¥ 15,481	¥ 19,611	¥ 159	¥ (944)	¥ (34)	¥ (1,881)	¥ 49,218		¥ 49,218
Net income				5,302					5,302		5,302
Cash dividends, ¥76.0 per share				(2,844)					(2,844)		(2,844)
Bonuses to directors				(102)					(102)		(102)
Repurchase of treasury stock	(1,408)							(5,112)	(5,112)		(5,112)
Disposal of treasury stock	18							63	63		63
Loss on disposal of treasury stock				(7)					(7)		(7)
Retirement of treasury stock				(5,732)				5,732			
Net change in unrealized gain on available-for-sale securities					127				127		127
Net change in foreign currency translation adjustments							23		23		23
BALANCE, MARCH 31, 2006	36,536	16,826	15,481	16,228	286	(944)	(11)	(1,198)	46,668		46,668
Reclassified balance as of March 31, 2006 (Note 2.j)										¥ 192	192
Net income				295					295		295
Cash dividends, ¥90.5 per share				(3,277)					(3,277)		(3,277)
Bonuses to directors				(118)					(118)		(118)
Purchase of treasury stock	(1,355)							(5,107)	(5,107)		(5,107)
Disposal of treasury stock	5			(3)				18	15		15
Retirement of treasury stock				(5,278)				5,278			
Net change in the year					(63)		39		(24)	40	16
BALANCE, MARCH 31, 2007	35,186	¥ 16,826	¥ 15,481	¥ 7,847	¥ 223	¥ (944)	¥ 28	¥ (1,009)	¥ 38,452	¥ 232	¥ 38,684

	Thousands of U.S. Dollars (Note 1)									
	Common Stock	Capital Surplus	Retained Earnings	Unrealized Gain (Loss) on Available-for-sale Securities	Land Revaluation Difference	Foreign Currency Translation Adjustments	Treasury Stock	Total	Minority Interests	Total Equity
BALANCE, MARCH 31, 2006	$ 142,592	$ 131,191	$ 137,523	$ 2,433	$ (8,003)	$ (92)	$ (10,151)	$ 395,493		$ 395,493
Reclassified balance as of March 31, 2006 (Note 2.j)									$ 1,624	1,624
Net income			2,502					2,502		2,502
Cash dividends, $0.77 per share			(27,775)					(27,775)		(27,775)
Bonuses to directors			(1,002)					(1,002)		(1,002)
Purchase of treasury stock							(43,284)	(43,284)		(43,284)
Disposal of treasury stock			(18)				155	137		137
Retirement of treasury stock			(44,730)				44,730			
Net change in the year				(538)		326		(212)	343	131
BALANCE, MARCH 31, 2007	$ 142,592	$ 131,191	$ 66,500	$ 1,895	$ (8,003)	$ 234	$ (8,550)	$ 325,859	$ 1,967	$ 327,826

See notes to consolidated financial statements.

Consolidated Statements of Cash Flows

MEITEC CORPORATION and Subsidiaries
Years Ended March 31, 2007 and 2006

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2007	2006	2007
OPERATING ACTIVITIES:			
Income before income taxes and minority interests	¥ 6,400	¥ 10,866	$ 54,241
Adjustments for:			
Income taxes—paid	(7,323)	(4,284)	(62,058)
Depreciation and amortization	1,108	1,193	9,393
Gain on sales of marketable and investment securities—net		(56)	
Equity in losses of an associated company	11	15	96
Amortization of consolidation goodwill	113		958
Loss on sales and disposals of fixed assets—net	77	166	650
Loss on write-down of investment securities	2	1,128	15
Loss on impairment of goodwill		887	
Loss on sales of foreign operations	671		5,688
Loss on investments in partnership—net	77		655
Impairment loss of consolidation goodwill	4,292		36,373
Changes in assets and liabilities:			
(Increase) decrease in trade receivables	(506)	193	(4,286)
Decrease in inventories	378		3,203
Increase in accrued expenses	432	1	3,660
Increase (decrease) in consumption taxes payable	248	(87)	2,098
Increase in liability for retirement benefits	746	728	6,325
Decrease in other current liabilities	(649)		(5,498)
Other—net	(61)	(1,356)	(526)
Total adjustments	(384)	(1,472)	(3,254)
Net cash provided by operating activities	6,016	9,394	50,987
INVESTING ACTIVITIES:			
Purchases of short-term investments	(300)	(1,601)	(2,542)
Proceeds from sales of short-term investments	50	829	424
Purchases of investment in subsidiaries		(39)	
Proceeds from sales of investment securities	45	184	381
Investments in and advances to subsidiaries	(39)		(331)
Proceeds from disposal of investments in subsidiaries	207		1,755
Purchases of property and equipment	(192)	(247)	(1,631)
Proceeds from sales of property and equipment		3	
Purchases of other investments and assets	(929)	(409)	(7,870)
Proceeds from sales of other investment and other assets	202	402	1,713
Net cash used in investing activities	(956)	(878)	(8,101)
FINANCING ACTIVITIES:			
Decrease in short-term bank loans—net		(20)	
Repayments of long-term debt		(215)	
Acquisition of treasury stock	(5,107)	(5,112)	(43,284)
Dividends paid	(3,275)	(2,843)	(27,758)
Proceeds from sales of treasury stock	16	56	137
Net cash used in financing activities	(8,366)	(8,134)	(70,905)
FOREIGN CURRENCY TRANSLATION ADJUSTMENTS ON CASH AND CASH EQUIVALENTS	8	32	69
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(3,298)	414	(27,950)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	17,275	16,861	146,402
CASH AND CASH EQUIVALENTS, END OF YEAR	¥ 13,977	¥ 17,275	$ 118,452

See notes to consolidated financial statements.

1. BASIS OF PRESENTING CONSOLIDATED FINANCIAL STATEMENTS

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

On December 27, 2005, the Accounting Standards Board of Japan (the "ASBJ") published a new accounting standard for the statement of changes in equity, which is effective for fiscal years ending on or after May 1, 2006. The consolidated statement of shareholders' equity, which was previously voluntarily prepared in line with the international accounting practices, is now required under Japanese GAAP and has been renamed "the consolidated statement of changes in equity" in the current fiscal year.

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. In addition, certain reclassifications have been made in the 2006 consolidated financial statements to conform to the classifications used in 2007.

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 ¥118 to $1, the approximate rate of exchange at March 31, 2007. Such translations should not be construed as representations that the Japanese yen amounts could be converted into U.S. dollars at that or any other rate.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. ***Consolidation—*** The consolidated financial statements as of March 31, 2007 include the accounts of the Company and its sixteen (fourteen in 2006) subsidiaries (together, the "Group").

In the current fiscal year, four subsidiaries were newly established and consolidated.

Two subsidiaries, including Novations Group Inc. were sold in August 2006 and the other subsidiary was liquidated.

An associated company was accounted for by the equity method in 2006. However this company was consolidated for the year ended March 31, 2007 as a result of the additional acquisition of 17% (total 66%) interest in the issued shares with voting rights of ZHEJIANG MI High Technology Co., Ltd.

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

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

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

b. ***Business Combination***—In October 2003, the Business Accounting Council issued a Statement of Opinion, "Accounting for Business Combinations," and on December 27, 2005, the ASBJ issued ASBJ Statement No. 7, "Accounting Standard for Business Separations" and ASBJ Guidance No. 10, "Guidance for Accounting Standard for Business Combinations and Business Separations." These new accounting pronouncements are effective for fiscal years beginning on or after April 1, 2006.

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

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

Under the accounting standard for business separations, in a business separation where the interests of the investor no longer continue and the investment is settled, the difference between the fair value of the consideration received for the transferred business and the book value of net assets transferred to the separated business is recognized as a gain or loss on business separation in the consolidated statement of income. In a business separation where the interests of the investor continue and the investment is not settled, no such gain or loss on business separation is recognized.

The company sold U.S. subsidiaries in August 2006 and recorded the resulting loss in the consolidated statement of income for the year ended March 31, 2007 (see Note 9).

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

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

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

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

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

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

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

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

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

In the year ended March 31, 2007, the Group reviewed collectibility of deferred tax assets relating land revaluation difference and, as a result, valuation allowance of ¥672 million ($5,692 thousand) was provided. The effect is included in income tax—deferred in the consolidated statement of income.

As at March 31, 2007, the carrying amount of the land after the one-time revaluation exceeded the market value by ¥1,654 million ($14,021 thousand).

i. ***Retirement and Pension Plan—***The Company and certain subsidiaries have unfunded retirement benefit plans. The Company also has a contributory funded pension plan covering substantially all of its employees.

j. ***Presentation of Equity—***On December 9, 2005, the ASBJ published a new accounting standard for presentation of equity. Under this accounting standard, certain items which were previously presented as liabilities are now presented as components of equity. Such items include minority interests, stock acquisition rights (if applicable), and any deferred gain or loss on derivatives accounted for under hedge accounting (if applicable). This standard is effective for fiscal years ending on or after May 1, 2006. The consolidated balance sheet as of March 31, 2007 is presented in line with this new accounting standard.

k. ***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.

l. ***Bonuses to Directors and Corporate Auditors*****—**Prior to the fiscal year ended March 31, 2005, bonuses to directors and corporate auditors were accounted for as a reduction of retained earnings in the fiscal year following approval at the general shareholders meeting. The ASBJ issued ASBJ Practical Issues Task Force ("PITF") No. 13, "Accounting Treatment for Bonuses to Directors and Corporate Auditors," which encouraged companies to record bonuses to directors and corporate auditors on the accrual basis with a related charge to income, but still permitted the direct reduction of such bonuses from retained earnings after approval of the appropriation of retained earnings.

The ASBJ replaced the above accounting pronouncement by issuing a new accounting standard for bonuses to directors and corporate auditors on November 29, 2005. Under the new accounting standard, bonuses to directors and corporate auditors must be expensed and are no longer allowed to be directly charged to retained earnings. This accounting standard is effective for fiscal years ending on or after May 1, 2006. The companies must accrue bonuses to directors and corporate auditors at the year end to which such bonuses are attributable. The company adopted the new accounting standard for bonuses to directors and corporate auditors in the year ended March 31, 2007. The effect of this change was to decrease income before income taxes and minority interests for the year ended March 31, 2007 by ¥18 million ($155 thousand).

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

n. ***Appropriations of Retained Earnings*****—**Appropriations of retained earnings are reflected in the financial statements for the following year upon shareholders' approval.

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

p. ***Foreign Currency Financial Statements*****—**The balance sheet accounts of the consolidated foreign subsidiary are translated into Japanese yen at the current exchange rate as of the balance sheet date except for equity, which is translated at the historical rate. Differences arising from such translation were shown as "Foreign currency translation adjustments" in a separate component of equity.

Revenue and expense accounts of consolidated foreign subsidiaries are translated into yen at the average exchange rate.

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

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

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

r. New Accounting Pronouncements

Measurement of inventories—Under Japanese GAAP, inventories are currently measured either by the cost method, or at the lower of cost or market. On July 5, 2006, the ASBJ issued ASBJ Statement No. 9, "Accounting Standard for Measurement of Inventories," which is effective for fiscal years beginning on or after April 1, 2008 with early adoption permitted. This standard requires that inventories held for sale in the ordinary course of business be measured at the lower of cost or net selling value, which is defined as the selling price less additional estimated manufacturing costs and estimated direct selling expenses. The replacement cost may be used in place of the net selling value, if appropriate. The standard also requires that inventories held for trading purposes be measured at the market price.

Lease accounting—On March 30, 2007, the ASBJ issued ASBJ Statement No. 13, "Accounting Standard for Lease Transactions," which revised the existing accounting standard for lease transactions issued on June 17, 1993.

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

The revised accounting standard requires that all finance lease transactions should be capitalized. The revised accounting standard for lease transactions is effective for fiscal years beginning on or after April 1, 2008 with early adoption permitted for fiscal years beginning on or after April 1, 2007.

Unification of accounting policies applied to foreign subsidiaries for the consolidated financial statements—Under Japanese GAAP, a company currently can use the financial statements of foreign subsidiaries which are prepared in accordance with generally accepted accounting principles in their respective jurisdictions for its consolidation process unless they are clearly unreasonable. On May 17, 2006, the ASBJ issued ASBJ PITF No. 18, "Practical Solution on Unification of Accounting Policies Applied to Foreign Subsidiaries for the Consolidated Financial Statements." The new task force prescribes: 1) the accounting policies and procedures applied to a parent company and its subsidiaries for similar transactions and events under similar circumstances should in principle be unified for the preparation of the consolidated financial statements, 2) financial statements prepared by foreign subsidiaries in accordance with either International Financial Reporting Standards or the generally accepted accounting principles in the United States tentatively may be used for the consolidation process, 3) however, the following items should be adjusted in the consolidation process so that net income is accounted for in accordance with Japanese GAAP unless they are not material;

(1) Amortization of goodwill
(2) Actuarial gains and losses of defined benefit plans recognized outside profit or loss
(3) Capitalization of intangible assets arising from development phases
(4) Fair value measurement of investment properties, and the revaluation model for property, plant and equipment, and intangible assets
(5) Retrospective application when accounting policies are changed
(6) Accounting for net income attributable to a minority interest

The new task force is effective for fiscal years beginning on or after April 1, 2008 with early adoption permitted.

3. SHORT-TERM INVESTMENTS AND INVESTMENT SECURITIES

Short-term investments and investment securities at March 31, 2007 and 2006 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2007	2006	2007
Short-term investments:			
Time deposits	¥ 2,500	¥ 2,200	$ 21,186
Other	1,971	1,931	16,703
Total	¥ 4,471	¥ 4,131	$ 37,889
Investment securities:			
Equity securities	¥ 902	¥ 1,036	$ 7,646
Debt securities	199	196	1,681
Other	240	382	2,035
Total	¥ 1,341	¥ 1,614	$ 11,362

The carrying amounts and aggregate fair values of marketable and investment securities at March 31, 2007 and 2006 were as follows:

March 31, 2007

	Millions of Yen			
	Cost	Unrealized Gains	Unrealized Losses	Fair Value
Available-for-sale:				
Equity securities	¥ 414	¥ 412	¥ (4)	¥ 822
Debt securities	199		(1)	198

	Thousands of U.S. Dollars			
	Cost	Unrealized Gains	Unrealized Losses	Fair Value
Available-for-sale:				
Equity securities	$ 3,510	$ 3,489	$ (36)	$ 6,963
Debt securities	1,689		(8)	1,681

March 31, 2006

	Millions of Yen			
	Cost	Unrealized Gains	Unrealized Losses	Fair Value
Available-for-sale:				
Equity securities	¥ 453	¥ 516		¥ 969
Debt securities	199		¥ (3)	196

Available-for-sale securities whose fair value is not readily determinable at March 31, 2007 and 2006 were as follows:

	Carrying Amount		
	Millions of Yen		Thousands of U.S. Dollars
	2007	2006	2007
Equity securities	¥ 80	¥ 67	$ 683
Other	241	382	2,035
Total	¥ 321	¥ 449	$ 2,718

Proceeds from sales of available-for-sale securities for the years ended March 31, 2007 and 2006 were ¥45 million ($381 thousand) and ¥600 million, respectively. Gross realized gains and losses on these sales, computed on the moving average cost basis, were ¥6 million ($48 thousand) and nil, respectively, for the year ended March 31, 2007 and ¥79 million and nil, respectively, for the year ended March 31, 2006.

The carrying values of debt securities by contractual maturities for securities classified as available-for-sale at March 31, 2007 are as follows:

	Millions of Yen	
	2007	2006
	Available-for-sale	Available-for-sale
Due in one year or less	¥ 593	
Due in one year to five years	687	¥ 1,100
Due in five years to ten years	298	300
Total	¥ 1,578	¥ 1,400

	Thousands of U.S. Dollars
	2007
	Available-for-sale
Due in one year or less	$ 5,022
Due in one year to five years	5,824
Due in five years to ten years	2,528
Total	$ 13,374

4. INVENTORIES

Inventories at March 31, 2007 and 2006 consisted mainly of work in process related to career support and engineering outsourcing, determined by the identification method.

5. LONG-TERM DEBT

At March 31, 2007 and 2006, the Company had loan commitments from six banks and seven banks, respectively, and two insurance companies in an aggregate amount of ¥6,000 million ($50,847 thousand). There were no loans utilized and outstanding under these arrangements at March 31, 2007 and 2006.

6. RETIREMENT AND PENSION PLAN

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

The liability for employees' retirement benefits at March 31, 2007 and 2006 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2007	2006	2007
Projected benefit obligation	¥ 13,198	¥ 12,112	$ 111,849
Fair value of plan assets	(4,970)	(4,376)	(42,116)
Unrecognized prior service cost	17	20	140
Unrecognized actuarial loss	(2,069)	(2,326)	(17,532)
Net liability	¥ 6,176	¥ 5,430	$ 52,341

The components of net periodic retirement benefit costs for the years ended March 31, 2007 and 2006 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2007	2006	2007
Service cost	¥ 957	¥ 920	$ 8,107
Interest cost	240	219	2,038
Expected return on plan assets	(66)	(60)	(556)
Amortization of prior service cost	(3)	(3)	(28)
Recognized actuarial loss	410	395	3,476
Other	77	121	652
Net periodic benefit costs	¥ 1,615	¥ 1,592	$ 13,689

Assumptions used for the years ended March 31, 2007 and 2006 were set forth as follows:

	2007	2006
Discount rate	2.0%	2.0%
Expected rate of return on plan assets	1.5%	1.5%
Amortization period of prior service cost	10 years	10 years
Recognition period of actuarial gain/loss	10 years	10 years

7. EQUITY

On and after May 1, 2006, Japanese companies are subject to a new corporate law of Japan (the "Corporate Law"), which reformed and replaced the Commercial Code of Japan with various revisions that are, for the most part, applicable to events or transactions which occur on or after May 1, 2006 and for the fiscal years ending on or after May 1, 2006. The significant changes in the Corporate Law that affect financial and accounting matters are summarized below:

a. Dividends

Under the Corporate Law, companies can pay dividends at any time during the fiscal year in addition to the year-end dividend upon resolution at the shareholders meeting. For companies that meet certain criteria such as; (1) having the Board of Directors, (2) having independent auditors, (3) having the Board of Corporate Auditors, and (4) the term of service of the directors is prescribed as one year rather than two years of normal term by its articles of incorporation, the Board of Directors may declare dividends (except for dividends in kind) at any time during the fiscal year if the company has prescribed so in its articles of incorporation. The Company meets all the above criteria.

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

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

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

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

c. Treasury Stock and Treasury Stock Acquisition Rights

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

8. STOCK OPTION PLANS

The stock option outstanding as of March 31, 2007 is as follows:

Stock Option	Persons Granted	Number of Options Granted	Date of Approval	Exercise Price	Exercise Period
1998 Stock Option	11 directors 44 key employees	121,500	June 26, 1998	¥ 5,530 ($47)	From June 27, 2000 to June 26, 2008
1999 Stock Option	9 directors 46 key employees	118,500	June 29, 1999	¥ 3,997 ($34)	From June 30, 2001 to June 29, 2009
2000 Stock Option	9 directors 71 key employees	141,000	June 29, 2000	¥ 4,280 ($36)	From June 30, 2002 to June 29, 2010
2001 Stock Option	7 directors 79 key employees	139,000	June 26, 2001	¥ 4,280 ($36)	From June 27, 2003 to June 26, 2011
2002 Stock Option	6 directors 6 directors of subsidiaries 105 key employees of the Group	129,000	June 25, 2002	¥ 3,066 ($26)	From June 27, 2004 to June 26, 2012
2003 Stock Option	8 directors 3 directors of subsidiaries 92 key employees of the Group	128,000	June 24, 2003	¥ 4,166 ($35)	From June 25, 2005 to June 24, 2013
2004 Stock Option	5 directors 89 key employees	111,000	June 24, 2004	¥ 4,370 ($37)	From June 25, 2006 to June 24, 2008

The stock option activity is as follows:

	1998 Stock Option	1999 Stock Option	2000 Stock Option	2001 Stock Option
		(Shares)		
For the Year Ended March 31, 2007				
Non-vested:				
March 31, 2006—outstanding				
Granted				
Canceled				
Vested				
March 31, 2007—outstanding				
Vested:				
March 31, 2006—outstanding	6,300	6,500	11,000	12,000
Vested				
Exercised				

	2002 Stock Option	2003 Stock Option	2004 Stock Option
		(Shares)	
For the Year Ended March 31, 2007			
Non-vested:			
March 31, 2006—outstanding			93,000
Granted			
Canceled			100
Vested			92,000
March 31, 2007—outstanding			
Vested:			
March 31, 2006—outstanding	14,000	117,000	93,000
Vested			
Exercised	5,000		
Canceled	7,000	2,000	2,000
March 31, 2007—outstanding	2,000	115,000	91,000
Exercise price	¥ 3,066	¥4,166	¥4,370
	($26)	($35)	($37)
Average stock price at exercise	¥ 3,666		
	($31)		

The balance of treasury stock recorded in equity at March 31, 2007 and 2006 included treasury stock purchased for the purpose of reissuance in connection with the expected stock options exercised under the above plans.

The Company has granted stock options on seven occasions in the past as an incentive to improve performance. Beginning in fiscal year 2006 the Company decided to stop offering stock options as incentives and changed to a system of performance-linked bonuses for the following reasons. (1) A performance-linked bonus system is more effective in improving performance by directors and employees. (2) The proportion of dormant stock options, which is high, is not functioning effectively as an incentive system. (3) The new accounting procedure to report stock options as expenses from March 2007 is expected to have a direct influence on the Company's performance.

9. SALES OF U.S. SUBSIDIARIES

The Group sold Novations Group Inc. and its subsidiary, U.S. subsidiaries of Drake Beam Morin-Japan, Inc., including the remaining balance of goodwill, to MCG Global, LLC in August 2006, and recorded the resulting loss of ¥674 million ($5,710 thousand) for the year ended March 31, 2007.

The Group recognized impairment loss of ¥4,292 million ($36,373 thousand) on consolidation goodwill of Drake Beam Morin-Japan, Inc. and subsidiaries, because it was not expected to earn revenue after the above sales as expected when the Group invested in them.

The recoverable amount of consolidation goodwill was measured by the discounted-cash-flow method and the discount rate used for computation of present value of future cash flows was 4.97%.

10. INCOME TAXES

The Company and its domestic subsidiaries are subject to Japanese national and local income taxes which, in the aggregate, resulted in a normal effective statutory tax rate of approximately 40% for the years ended March 31, 2007 and 2006.

The tax effects of significant temporary differences which resulted in deferred tax assets and liabilities at March 31, 2007 and 2006 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2007	2006	2007
Deferred tax assets:			
Accrued bonuses	¥ 2,086	¥ 2,080	$ 17,680
Accrued social security on accrued bonuses	240	231	2,037
Retirement benefits	2,473	2,174	20,953
Enterprise taxes payable	179	251	1,517
Impairment loss	49	49	411
Write-down of investment securities	531	518	4,502
Loss on revaluation of memberships	19	24	162
Write-down of goodwill		684	
Tax loss carryforwards	2,231		18,908
Unrealized loss on available-for-sale securities	12	10	101
Other	259	768	2,198
Valuation allowance	(3,066)	(1,726)	(25,984)
Total	5,013	5,063	42,485
Deferred tax liabilities—Unrealized gain on available-for-sale securities	164	218	1,389
Total	164	218	1,389
Net deferred tax assets	¥ 4,849	¥ 4,845	$ 41,096

A reconciliation between the normal effective statutory tax rates and the actual effective tax rates reflected in the accompanying consolidated statements of income for the years ended March 31, 2007 and 2006 is as follows:

	2007	2006
Normal effective statutory tax rate	40.0 %	40.0 %
Expenses not deductible for income tax purposes	0.4	0.3
Revenues not recognized for income tax purposes	(0.2)	(1.0)
Per capita tax	2.6	1.5
Valuation allowance	24.1	7.9
Amortization of consolidation goodwill	0.7	2.5
Impairment loss on consolidation goodwill	26.8	
Equity in losses of associated companies	0.1	0.0
Other—net	0.6	0.1
Actual effective tax rate	95.1 %	51.3 %

At March 31, 2007, certain subsidiaries have tax loss carryforwards aggregating approximately ¥5,578 million ($47,270 thousand) which are available to be offset against taxable income of such subsidiaries in future years. These tax loss carryforwards, if not utilized, will expire as follows:

Year Ending March 31	Millions of Yen	Thousand of U.S. Dollars
2009	¥ 41	$ 344
2010	96	814
2011	250	2,119
2012	180	1,525
2013	386	3,276
2014	4,625	39,192
Total	¥ 5,578	$ 47,270

11. LEASES

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

Total rental expenses including lease payments under finance leases for the years ended March 31, 2007 and 2006 were ¥20 million ($165 thousand) and ¥9 million, respectively.

Pro forma information of leased property such as acquisition cost, accumulated depreciation, accumulated impairment loss, obligations under finance lease, depreciation expense, interest expense and other information of finance leases that do not transfer ownership of the leased property to the lessee on an "as if capitalized" basis for the years ended March 31, 2007 and 2006 was as follows:

	Millions of Yen							
	2007				2006			
	Buildings and Structures	Furniture and Fixtures	Other	Total	Buildings and Structures	Furniture and Fixtures	Other	Total
Acquisition cost	¥ 45	¥ 37	¥ 62	¥ 144	¥ 16	¥ 6	¥ 64	¥ 86
Accumulated depreciation	10	20	48	78	2	2	40	44
Net leased property	¥ 35	¥ 17	¥ 14	¥ 66	¥ 14	¥ 4	¥ 24	¥ 42

	Thousands of U.S. Dollars			
	2007			
	Buildings and Structures	Furniture and Fixtures	Other	Total
Acquisition cost	$ 385	$ 313	$ 523	$ 1,221
Accumulated depreciation	83	169	408	660
Net leased property	$ 302	$ 144	$ 115	$ 561

Obligations under finance leases:

	Millions of Yen		Thousands of U.S. Dollars
	2007	2006	2007
Due within one year	¥ 18	¥ 15	$ 156
Due after one year	48	27	405
Total	¥ 66	¥ 42	$ 561

Depreciation expense, which was not reflected in the accompanying consolidated statements of income computed by the straight-line method, was ¥20 million ($165 thousand) and ¥9 million for the years ended March 31, 2007 and 2006, respectively.

12. NET INCOME PER SHARE

Reconciliation of the differences between basic and diluted net income per share ("EPS") for the years ended March 31, 2007 and 2006 is as follows:

	Millions of Yen	Thousands of Shares	Yen	U.S. Dollars
Year Ended March 31, 2007	Net Income	Weighted-average Shares	EPS	
Basic EPS—Net income available to common shareholders	¥ 295	36,017	¥ 8.20	$ 0.07
Effect of dilutive securities—Warrants		1		
Diluted EPS—Net income for computation	¥ 295	36,018	¥ 8.20	$ 0.07
Year Ended March 31, 2006				
Basic EPS—Net income available to common shareholders	¥ 5,302	37,313	¥ 138.93	
Effect of dilutive securities—Warrants		5		
Diluted EPS—Net income for computation	¥ 5,302	37,318	¥ 138.91	

13. SUBSEQUENT EVENT

The following matter was approved at the Company's shareholders meeting held on June 21, 2007.

Appropriation of Retained Earnings

	Millions of Yen	Thousands of U.S. Dollars
Year-end cash dividends, ¥45.0 ($0.38) per share	¥ 1,583	$ 13,418

14. SEGMENT INFORMATION

a. Industry Segments

(1) Sales and Operating Income (Loss)

	Millions of Yen					
	2007					
	Outsourcing	Engineering Solutions	Global	Career Support	Eliminations/ Corporate	Consolidated
Sales to customers	¥ 75,988	¥ 2,439	¥ 290	¥ 3,513		¥ 82,230
Intersegment sales	145	571	96	14	¥ (826)	
Total sales	76,133	3,010	386	3,527	(826)	82,230
Operating expenses	64,020	2,870	587	4,031	(860)	70,648
Operating income (loss)	¥ 12,113	¥ 140	¥ (201)	¥ (504)	¥ 34	¥ 11,582

(2) Total Assets, Depreciation, Impairment Loss and Capital Expenditures

	Millions of Yen					
	2007					
	Outsourcing	Engineering Solutions	Global	Career Support	Eliminations/ Corporate	Consolidated
Total assets	¥ 53,323	¥ 1,621	¥ 572	¥ 5,230	¥ (3,267)	¥ 57,479
Depreciation	963	29	6	110		1,108
Impairment loss				4,292		4,292
Capital expenditures	1,022	55	72	33		1,182

(1) Sales and Operating Income (Loss)

	Thousands of U.S. Dollars					
	2007					
	Outsourcing	Engineering Solutions	Global	Career Support	Eliminations/ Corporate	Consolidated
Sales to customers	$ 643,964	$ 20,668	$ 2,458	$ 29,774		$ 696,864
Intersegment sales	1,230	4,839	811	114	$ (6,994)	
Total sales	645,194	25,507	3,269	29,888	(6,994)	696,864
Operating expenses	542,545	24,318	4,976	34,157	(7,284)	598,712
Operating income (loss)	$ 102,649	$ 1,189	$ (1,707)	$ (4,269)	$ 290	$ 98,152

(2) Total Assets, Depreciation, Impairment Loss and Capital Expenditures

	Thousands of U.S. Dollars					
	2007					
	Outsourcing	Engineering Solutions	Global	Career Support	Eliminations/ Corporate	Consolidated
Total assets	$ 451,890	$ 13,736	$ 4,849	$ 44,324	$ (27,686)	$ 487,113
Depreciation	8,157	248	52	936		9,393
Impairment loss				36,373		36,373
Capital expenditures	8,661	466	614	279		10,020

(1) Sales and Operating Income (Loss)

	Millions of Yen				
	2006				
	Outsourcing	Training	Outplacement	Eliminations/ Corporate	Consolidated
Sales to customers	¥ 76,465	¥ 4,217	¥ 2,542		¥ 83,224
Intersegment sales	16		32	¥ (48)	
Total sales	76,481	4,217	2,574	(48)	83,224
Operating expenses	63,719	4,006	2,790	224	70,739
Operating income (loss)	¥ 12,762	¥ 211	¥ (216)	¥ (272)	¥ 12,485

(2) Total Assets, Depreciation and Capital Expenditures

	Millions of Yen				
	2006				
	Outsourcing	Training	Outplacement	Eliminations/ Corporate	Consolidated
Total assets	¥ 71,759	¥ 2,631	¥ 9,247	¥ (16,452)	¥ 67,185
Depreciation	1,029	61	103		1,193
Capital expenditures	372	53	13		438

Notes: 1. Effective April 1, 2006, the Group accrued bonuses to directors and corporate auditors at the period end to which such bonuses are attributable applying the new accounting standard. The effect of this change was to decrease operating income of outsourcing and engineering solutions for the year ended March 31, 2007 by ¥17 million ($143 thousand) and ¥1 million ($12 thousand), respectively.

2. Industry segment and principal services/operations of each segment:

(1) The year ended March 31, 2007

The outsourcing segment consists of engineering outsourcing and general outsourcing.
The engineering solutions segment provides service contents including analysis, test manufacturing of mold, designing of printed-circuit board.
The global segment offers training and supply of foreign engineers.
The career support segment provides reemployment support to separated employees of its corporate clients on a contract basis and job referral service.

(2) The year ended March 31, 2006

The outsourcing segment consists of engineering outsourcing and general outsourcing.
The training segment offers a wide range of employee training courses to its corporate clients on a contract basis.
The outplacement segment provides reemployment support to separated employees of its corporate clients on a contract basis.

3. Corporate operating expenses of ¥272 million in 2006, which are included in "Eliminations/corporate," consist of amortization of consolidation goodwill.

4. Corporate assets of ¥5,110 million in 2006, which are included in "Eliminations/corporate," consist of consolidation goodwill.

5. Change in industry segmentation:

Effective April 1, 2006, the Group changed its industry segmentation from outsourcing, training and outplacement to outsourcing, engineering solutions, global and career support because of expansion of the Group's business area and disposal of Novations Group Inc. and its subsidiary, U.S. subsidiaries of Drake Beam Morin-Japan, Inc., which had been the core companies for training business.

The Group judged it could more definitively disclose the business contents of the Group's businesses by changing the industry segments to those employed by internal management.

Segment information by industry segment for the previous fiscal year which is based on industry segmentation used in the current fiscal year is as follows:

(1) Sales and operating income (loss)

	Millions of Yen					
	2006					
	Outsourcing	Engineering Solutions	Global	Career Support	Eliminations/ Corporate	Consolidated
Sales to customers	¥ 75,008	¥ 1,289	¥ 173	¥ 6,754		¥ 83,224
Intersegment sales	107	277	52	32	¥ (468)	
Total sales	75,115	1,566	225	6,786	(468)	83,224
Operating expenses	62,334	1,542	339	6,727	(203)	70,739
Operating income (loss)	¥ 12,781	¥ 24	¥ (114)	¥ 59	¥ (265)	¥ 12,485

(2) Total assets, depreciation and capital expenditures

	Millions of Yen					
	2006					
	Outsourcing	Engineering Solutions	Global	Career Support	Eliminations/ Corporate	Consolidated
Total assets	¥ 71,205	¥ 1,051	¥ 479	¥ 6,739	¥ (12,289)	¥ 67,185
Depreciation	1,014	11	5	163		1,193
Capital expenditures	357	12	12	57		438

b. Geographical Segments

The geographical segments of the Company and its subsidiaries for the years ended March 31, 2007 and 2006 are summarized as follows:

	Millions of Yen				
	2007				
	Japan	North America	China	Eliminations/ Corporate	Consolidated
Sales to customers	¥ 80,641	¥ 1,537	¥ 52		¥ 82,230
Interarea transfer			49	¥ (49)	
Total sales	80,641	1,537	101	(49)	82,230
Operating expenses	68,863	1,604	230	(49)	70,648
Operating income (loss)	¥ 11,778	¥ (67)	¥ (129)		¥ 11,582
Total assets	¥ 57,033		¥ 463	¥ (17)	¥ 57,479

	Thousands of U.S. Dollars				
	2007				
	Japan	North America	China	Eliminations/ Corporate	Consolidated
Sales to customers	$ 683,395	$ 13,025	$ 444		$ 696,864
Interarea transfer			411	$ (411)	
Total sales	683,395	13,025	855	(411)	696,864
Operating expenses	583,584	13,589	1,950	(411)	598,712
Operating income (loss)	$ 99,811	$ (564)	$ (1,095)		$ 98,152
Total assets	$ 483,331		$ 3,928	$ (146)	$ 487,113

Notes: 1. North America consists of the United States of America and Canada.

2. Effective April 1, 2006, the Group accrued bonuses to directors and corporate auditors at the period end to which such bonuses are attributable because of applying new accounting standard. The effect of this change was to decrease operating income of Japan for the year ended March 31, 2007 by ¥18 million ($155 thousand).

	Millions of Yen				
	2006				
	Japan	North America	China	Eliminations/ Corporate	Consolidated
Sales to customers	¥ 78,972	¥ 4,212	¥ 40		¥ 83,224
Interarea transfer			26	¥ (26)	
Total sales	78,972	4,212	66	(26)	83,224
Operating expenses	66,417	3,971	105	246	70,739
Operating income (loss)	¥ 12,555	¥ 241	¥ (39)	¥ (272)	¥ 12,485
Total assets	¥ 69,753	¥ 2,437	¥ 358	¥ (5,363)	¥ 67,185

Notes: 1. North America consists of the United States of America and Canada.

2. Corporate operating expenses of ¥272 million in 2006, which are included in "Eliminations/corporate," consist of amortization of consolidation goodwill.

3. Corporate assets of ¥5,110 million in 2006, which are included in "Eliminations/corporate," consist of consolidation goodwill.

c. ***Sales to Foreign Customers***

	Millions of Yen		
	2007		
	North America	China	Total
Sales to foreign customers	¥ 1,537	¥52	¥ 1,589
Consolidated sales			82,230
The ratio of sales to foreign customers	1.9%	0.0%	1.9%

	Thousands of U.S. Dollars		
	2007		
	North America	China	Total
Sales to foreign customers	$ 13,025	$ 444	$ 13,469
Consolidated sales			696,864
The ratio of sales to foreign customers	1.9%	0.0%	1.9%

Note: North America consists of the United States of America and Canada.

	Millions of Yen		
	2006		
	North America	China	Total
Sales to foreign customers	¥ 4,212	¥66	¥ 4,278
Consolidated sales			83,224
The ratio of sales to foreign customers	5.0%	0.1%	5.1%

Note: North America consists of the United States of America and Canada.

15. SUPPLEMENTAL CASH FLOW INFORMATION

In August 2007, Novations Group Inc. and its subsidiary, U.S. subsidiaries of Drake Beam Morin-Japan, Inc. were sold, and they became out of the scope of consolidation. The assets and liabilities when at that time were as follows:

	Millions of Yen	Thousands of U.S. Dollars
Current assets	¥ 883	$ 7,477
Fixed assets	1,223	10,366
Total assets	¥ 2,106	$ 17,843
Current liabilities	¥ (1,359)	$ (11,517)
Long-term liabilities	(1,743)	(14,770)
Total liabilities	¥ (3,102)	$ (26,287)

Independent Auditors' Report

Deloitte.

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To the Board of Directors of
MEITEC CORPORATION:

We have audited the accompanying consolidated balance sheets of MEITEC CORPORATION and subsidiaries as of March 31, 2007 and 2006, and the related consolidated statements of income, changes in equity, and cash flows for the years then ended, all expressed in Japanese yen. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of MEITEC CORPORATION and subsidiaries as of March 31, 2007 and 2006, and the consolidated results of their operations and their cash flows for the years then ended in conformity with accounting principles generally accepted in Japan.

As discussed in Note 2.b, effective April 1, 2006, the consolidated financial statements have been prepared in accordance with the new accounting standard for business combinations.

As described in Note 14, the Company changed its industry segmentation for the segment information in the year ended March 31, 2007.

Our audits 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 21, 2007

Supplemental Non-Consolidated Balance Sheets

March 31, 2007 and 2006—Unaudited

ASSETS	Millions of Yen 2007	Millions of Yen 2006	Thousands of U.S. Dollars 2007
CURRENT ASSETS:			
Cash and cash equivalents	¥ 12,436	¥ 15,452	$ 105,393
Short-term investments	4,471	4,131	37,889
Notes and accounts receivable:			
Trade notes and accounts	10,842	10,334	91,883
Subsidiaries		22	
Allowance for doubtful receivables	(2)	(2)	(19)
Inventories	19	49	160
Deferred tax assets	2,131	2,208	18,055
Prepaid expenses and other	2,568	932	21,766
Total current assets	32,465	33,126	275,127
PROPERTY AND EQUIPMENT:			
Land	3,906	3,906	33,104
Buildings and structures	20,980	20,916	177,796
Furniture and fixtures	2,670	2,655	22,628
Other	188	184	1,588
Total	27,744	27,661	235,116
Accumulated depreciation	(13,490)	(12,856)	(114,320)
Net property and equipment	14,254	14,805	120,796
INVESTMENTS AND OTHER ASSETS:			
Investment securities	1,316	1,603	11,157
Investments in and advances to subsidiaries and associated companies	6,553	15,884	55,534
Leasehold deposits	827	803	7,012
Deferred tax assets	2,302	2,198	19,511
Deferred tax assets for land revaluation		630	
Other	1,195	678	10,120
Total investments and other assets	12,193	21,796	103,334
TOTAL	¥ 58,912	¥ 69,727	$ 499,257

The translations of Japanese yen amounts into U.S. dollar amounts have been made at the rate of ¥118 to $1, the approximate rate of exchange at March 31, 2007.

LIABILITIES AND EQUITY	Millions of Yen 2007	Millions of Yen 2006	Thousands of U.S. Dollars 2007
CURRENT LIABILITIES:			
Income taxes payable	¥ 1,153	¥ 3,067	$ 9,772
Deposits from subsidiaries	4,885	6,780	41,394
Accrued expenses	6,343	6,104	53,753
Other	1,792	1,171	15,187
Total current liabilities	14,173	17,122	120,106
LONG-TERM LIABILITIES:			
Liability for retirement benefits	6,077	5,342	51,503
Deferred tax liabilities for land revaluation	42		357
Total long-term liabilities	6,119	5,342	51,860
EQUITY:			
Common stock—authorized, 142,854 thousand shares in 2007 and 2006; issued, 35,442 thousand shares in 2007 and 36,842 thousand shares in 2006	16,826	16,826	142,592
Capital surplus—additional paid-in capital	15,481	15,481	131,191
Retained earnings:			
Legal reserve	4,203	4,203	35,615
Unappropriated	3,841	12,589	32,552
Unrealized gain on available-for-sale securities	222	306	1,894
Land revaluation difference	(944)	(944)	(8,003)
Treasury stock—at cost, 256 thousand shares in 2007 and 306 thousand shares in 2006	(1,009)	(1,198)	(8,550)
Total equity	38,620	47,263	327,291
TOTAL	¥ 58,912	¥ 69,727	$ 499,257

Supplemental Non-Consolidated Statements of Operations

Years Ended March 31, 2007 and 2006—Unaudited

	Millions of Yen		Thousands of U.S. Dollars
	2007	2006	2007
NET SALES	¥ 61,795	¥ 61,426	$ 523,688
COST OF SALES	43,134	42,381	365,547
Gross profit	18,661	19,045	158,141
SELLING, GENERAL AND ADMINISTRATIVE EXPENSES	8,040	7,913	68,132
Operating income	10,621	11,132	90,009
OTHER INCOME (EXPENSES):			
Interest and dividend income	4,890	319	41,437
Interest expense	(5)	(1)	(39)
Gain on sale of marketable and investment securities	6		48
Gain (loss) on investments in partnership—net	(77)	56	(655)
Loss on sale and disposal of fixed assets—net	(46)	(95)	(387)
Loss on write-down of investment securities	(2)		(15)
Loss on write-down of investments in subsidiaries	(10,155)	(19)	(86,055)
Other—net	72	135	610
Other (expenses) income—net	(5,317)	395	(45,056)
INCOME BEFORE INCOME TAXES	5,304	11,527	44,953
INCOME TAXES:			
Current	4,686	5,247	39,717
Deferred	702	(540)	5,947
Total income taxes	5,388	4,707	45,664
NET (LOSS) INCOME	¥ (84)	¥ 6,820	$ (711)
	Yen		U.S. Dollars
PER SHARE OF COMMON STOCK:			
Basic net (loss) income	¥ (2.33)	¥ 179.94	$ (0.02)
Diluted net income		179.92	
Cash dividends applicable to the year	89.00	90.50	0.77

Notes: 1. The translations of Japanese yen amounts into U.S. dollar amounts have been made at the rate of ¥118 to $1, the approximate rate of exchange at March 31, 2007.

2. The computation of net income/loss per share is based on the weighted-average number of shares of common stock outstanding during each year.

The weighted-average number of common shares used in the computation of basic net income/loss was 36,017 thousand shares for 2007 and 37,313 thousand shares for 2006.

3. Diluted net income per share for 2007 is not disclosed because of the Company's net loss position.

Corporate Data *(As of March 31, 2007)*

MEITEC CORPORATION

Corporate Headquarters	8-5-26, Akasaka, Minato-ku, Tokyo 107-0052, Japan Tel: +81-3-5413-2600
Registered Corporate Headquarters	2-20-1, Kousei Dori, Nishi-ku, Nagoya, Aichi 451-0075, Japan Tel: +81-52-532-1811
Establishment	July 17, 1974
Common Stock	Authorized: 142,854,400 shares Issued: 35,442,255 shares
Shareholders	8,434
Employees (consolidated)	8,291
Lines of Business	Providing engineering services to major Japanese manufacturing companies in the fields of high-technology research and development
Consolidated Subsidiaries	*Outsourcing Business* MEITEC FIELDERS INC. MEITEC CAST Inc. MEITEC EXPERTS CORPORATION
	Engineering Solutions Business Three D Tec Inc. Information Management System Co., Ltd. Apollo Giken Co., Ltd. MEITEC CAE CORPORATION Shanghai Apomac Science & Technology
	Global Business Meitec Global Solutions Inc. Meitec Shanghai MEITEC Dalian TechnoCenter Co., Ltd. MEITEC Guangzhou TechnoCenter Co., Ltd. MEITEC Xian TechnoCenter Co., Ltd. ZHEJIANG MI High Technology Co., Ltd.
	Career Support Business Drake Beam Morin-Japan, Inc. MEITEC NEXT CORPORATION

Executive Officers, Directors and Corporate Auditors	President and Representative Director	Kosuke Nishimoto	
(As of June 22, 2007)	CEO & COO	Kosuke Nishimoto	
	Executive Officers	Hideyo Kokubun Hidenori Nagasaka Toshihiko Murayama	Kouji Shimomura Kiyomasa Nakajima Satoshi Yanagisawa
	Directors	Kanji Fukuda Toshihiko Murayama Kiyomasa Nakajima	Hideyo Kokubun Hiroshi Yoneda Atsuhiko Umeda[1]
	Corporate Auditors	Yoshinori Takamine Hiroshi Watanabe[2]	Masatoshi Saito[2]

Notes: 1. Outside director as provided for in Article 2, Paragraph 15, of the Corporation Law.
2. External auditors as provided for in Article 2, Paragraph 16, of the Corporation Law.

WEB SITE INFORMATION

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

MAIN CONTENTS

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

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

Please see the URL below for details.

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

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