2007

MEITEC
THE ENGINEERING OUTSOURCING® COMPANY

People and Technology

Leading the Way to the Future

SEMI-ANNUAL REPORT 2007
Six months ended September 30, 2006

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 new 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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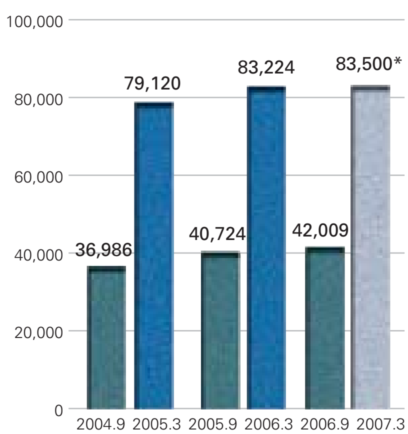
Consolidated Financial Highlights

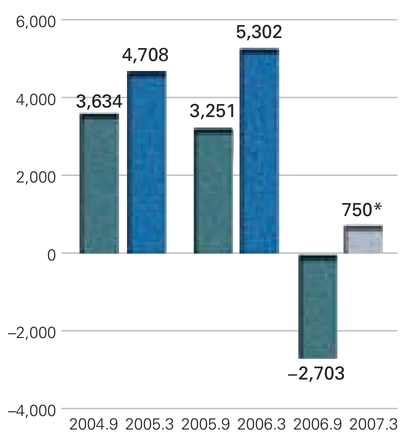
	Millions of yen			Thousands of U.S. dollars (Note 1)
	Six Months Ended September 30		Year Ended March 31	Six Months Ended September 30
	2006	2005	**2006**	**2006**
Net sales	**¥ 42,009**	¥ 40,724	**¥ 83,224**	**$ 359,053**
Operating income	**5,930**	5,935	**12,485**	**50,682**
Net (loss) income	**(2,703)**	3,251	**5,302**	**(23,101)**
Total assets	**59,422**	68,366	**67,185**	**507,882**
Total equity	**39,792**	48,160	**46,668**	**340,101**
	Yen			U.S. dollars
Per Share of Common Stock:				
Equity	**¥ 1,103.51**	¥ 1,299.99	**¥1,274.10**	**$ 9.43**
Cash dividends	**44.00**	44.00	**90.50**	**0.38**
Net (loss) income (Note 2)	**(74.32)**	86.00	**138.93**	**(0.64)**

Notes: 1. U.S. dollar amounts are translated from Japanese yen, for convenience only, at the rate of ¥117 to $1, the approximate exchange rate prevailing as of September 30, 2006.
2. Net (loss) income per share is computed based on the weighted average number of shares outstanding during each term.

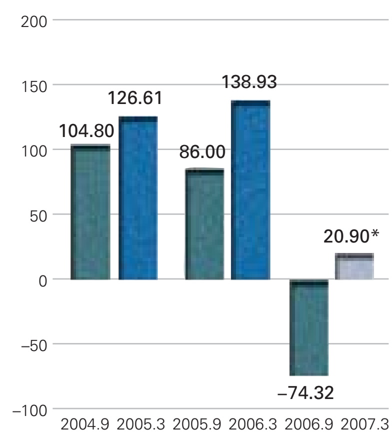
NET SALES
(Millions of Yen)



NET INCOME (LOSS)
(Millions of Yen)



NET INCOME (LOSS) PER SHARE
(Yen)



* Forecasts are for the period ending March 31, 2007.

To Our Shareholders

I would like to express my sincere appreciation for your continuing support of Meitec Corporation. I am pleased to present our semi-annual report for the six-month period ended September 30, 2006.

There were several areas for concern for the Japanese economy during the subject interim period, including a steep rise in raw material prices, particularly for crude oil, and a sense of uncertainty surrounding the future direction of the U.S. and Chinese economies, which are strongly linked to Japan's economy. Overall, however, there was an underlying tone of recovery that continued from the previous fiscal period. The manufacturing industry in particular, where many of Meitec's primary clients are located, continued to make investments in development and capital expenditures for strategic fields, although there was disparity between companies.

In this market environment, the Meitec Group expanded its operations, focusing on its core business of temporary engineers staffing, and achieved an increase in revenue on a consolidated basis. Results for consolidated net sales, operating income and ordinary income were basically in line with revised forecasts announced on August 22, 2006. However, the Company posted a net loss for the interim period of ¥2,703 million, in line with the forecast revision made on October 31, 2006 and November 6, 2006. The loss stemmed from the recording as an extraordinary loss a ¥4,292 million charge for the impairment of goodwill for consolidated subsidiary Drake Beam Morin-Japan, Inc., following the sale of its U.S. subsidiary Novations Group Inc. The recognition of this loss was concluded during the subject interim period, and we expect to achieve profitability for the full fiscal year.

In consolidated net sales, approximately 86% of which are generated by the temporary engineers staffing business, Meitec achieved slight increases in revenue and earnings (operating income). Particularly noteworthy was the 1.4% increase in revenue despite the spinning off of our CAE operations (to form MEITEC CAE CORPORATION) during the subject period. Also, MEITEC FIELDERS INC. posted a 5.7% gain in revenues, the result of the Group expanding its market share through the collaboration of marketing operations for the Meitec and Meitec Fielders brands.

Net sales by engineering field grew substantially compared to the same period in the previous year in the three fields of industrial equipment, precision equipment, and semiconductor manufacturing equipment. This was the result of marketing efforts to diversify net sales to different fields, to stabilize the sales emphasis in the three fields of automobile, electronics, and semiconductor design, where sales have expanded in recent years.

The main reason for the rise in revenue is maintenance of a high utilization ratio. Meitec Fielders achieved higher revenues and earnings (operating income) by maintaining a high utilization ratio and increasing the number of engineers. Japan Cast Inc., (renamed MEITEC CAST Inc. as of October 1, 2006), which offers a registered-style temporary staffing business in cooperation with the temporary engineers staffing business, strengthened its marketing efforts toward the manufacturing industry in conjunction with Meitec and Meitec Fielders, leading to an increase in revenue. Nevertheless, earnings (operating income) were down as a result of a rise in selling, general and administrative (SG&A) expenses incurred to change the company name, and open new branch locations. MEITEC EXPERTS CORPORATION, which began offering a temporary senior engineering staff business from April 2006, is expected to make a full-scale contribution to consolidated revenue and earnings from the next fiscal period.

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 revenues and profit (operating income) 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, achieved profitability during the subject period after running a deficit through the previous fiscal period. Meitec CAE Corporation, 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.

Meitec Global Solutions Inc. also recorded rising revenues, due mainly to the launch of the Chinese engineer outsourcing business during the previous fiscal period. Meitec Global Solutions recorded an operating loss, however, as a result of the recording as prime cost and SG&A expenses the prior investment costs made to train Chinese engineers.

The Group's main outplacement business company Drake Beam Morin-Japan, Inc. (DBM-J) again recorded a decline in revenue from the previous fiscal period, due to the impact of shrinkage in the outplacement market, but narrowed its operating loss through reductions in administrative expenses. DBM-J also sold its U.S. subsidiary, Novations Group, Inc., in August 2006.

As a result of this business development, consolidated net sales rose 3,2%, to ¥42,009 million. In terms of profitability, operating income decreased 0.1% to ¥5,930 million, ordinary income decreased 1.8% to ¥5,889 million, and the net loss was ¥2,703 million.

Return on equity (ROE) was down 12.7 percentage points to -6.2% compared with the same period of the previous fiscal period. Regarding dividends for the fiscal year under review, based on our policy of maintaining a dividend payout ratio greater than 50% of net income per share, Meitec determined dividends of ¥44.00 ($0.38) per share for the fiscal 2007 first half.

Thank you for your continued support of Meitec.

November 2006

Kosuke Nishimoto

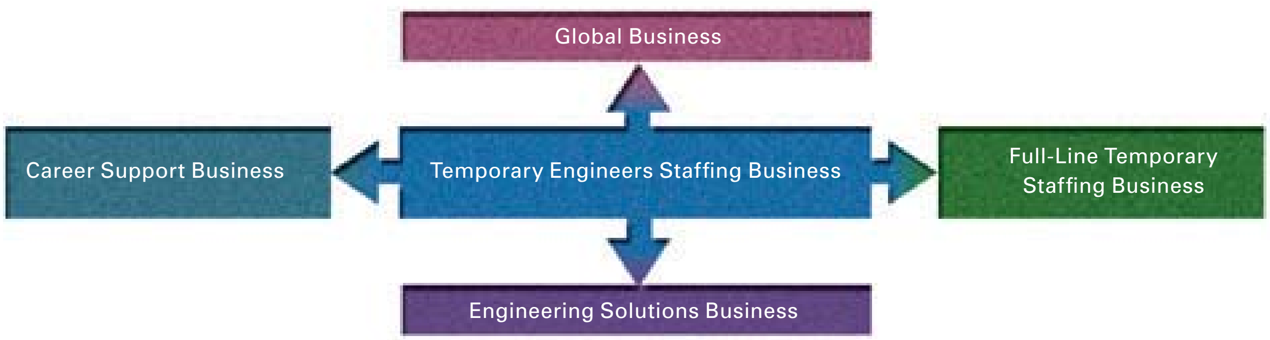
President, CEO & COO

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 Engineers Staffing Business

Engineering outsourcing (design and development of machinery, electricity, electronics and computer software and other specialized outsourcing). This business area is handled by Meitec.

■ Full-Line Temporary Staffing Business

Engineering outsourcing in technical fields different from Meitec, handled by Meitec Fielders, and a registration-style temporary staffing business handled by Meitec Cast. Meitec Experts handles the temporary senior engineering staff business.

■ Engineering Solutions Business

Engineering solutions for the creation of prototypes and circuit boards corresponding to design and development, handled by 3D Tec, IMS and Apollo Giken. Meitec CAE handles outsourcing and staffing for all types of mechanical CAE.

■ Global Business

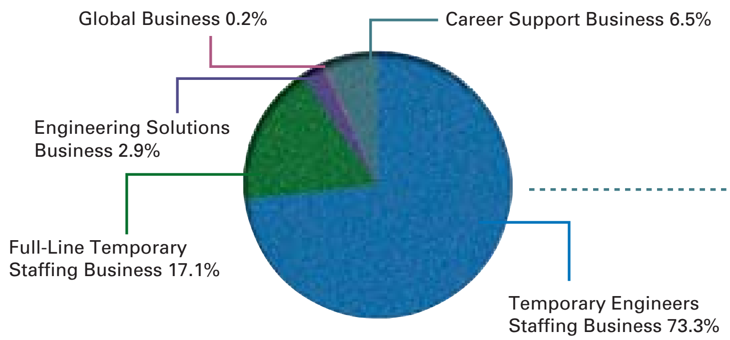
Training and consulting to develop engineers overseas, is the main business focus of the following subsidiaries: MGS, Meitec Shanghai, MEITEC Dalian, MEITEC Guangzhou and ZHEJIANG MI Technology.

■ Career Support Business

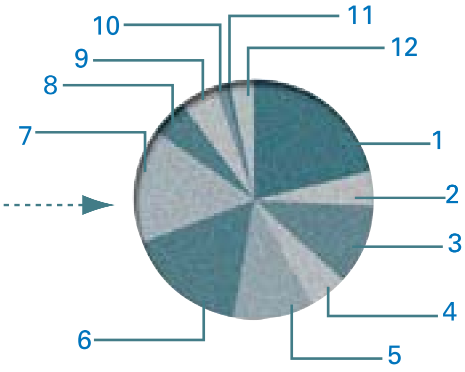
Career development for employees of client and outplacement business, handled by DBM-J, and job placement business for engineers, handled by Meitec Next.

Operational Review

REVENUE BY MEITEC GROUP'S BUSINESS DOMAIN

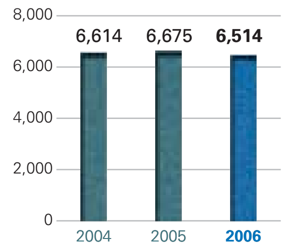


MEITEC REVENUES BY CUSTOMER



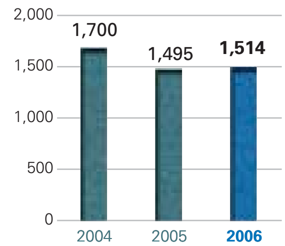
1 Automobile/Transportation 21.2%

NET SALES (Millions of Yen)



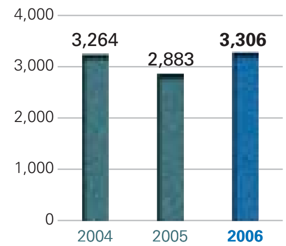
2 Aircraft/Aerospace 4.9%

NET SALES (Millions of Yen)



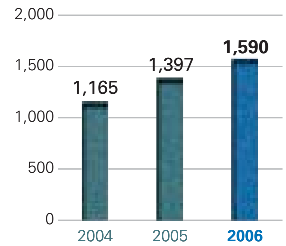
3 Industrial Machinery 10.7%

NET SALES (Millions of Yen)



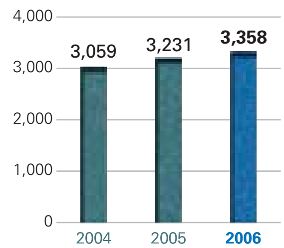
4 Precision Equipment 5.2%

NET SALES (Millions of Yen)



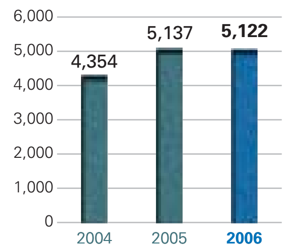
5 IT-Related Hardware and Devices 10.9%

NET SALES (Millions of Yen)



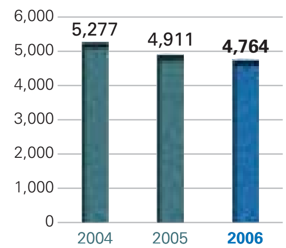
6 Electric and Electronics 16.6%

NET SALES (Millions of Yen)



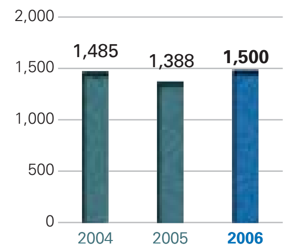
7 Semiconductors and Integrated Circuit Design 15.5%

NET SALES (Millions of Yen)



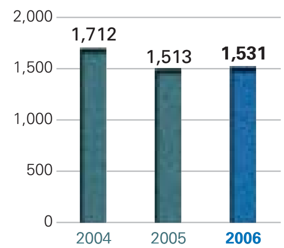
8 Semiconductor Equipment and Devices 4.9%

NET SALES (Millions of Yen)



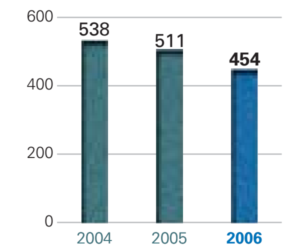
9 Information Processing Software 5.0%

NET SALES (Millions of Yen)



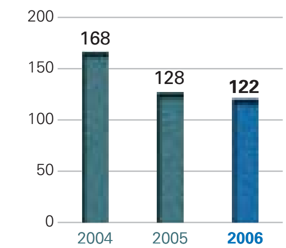
10 Plant 1.5%

NET SALES (Millions of Yen)



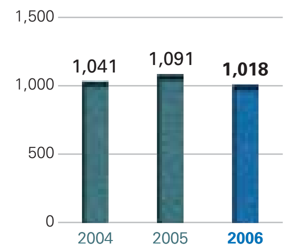
11 Construction 0.4%

NET SALES (Millions of Yen)



12 Other 3.2%

NET SALES (Millions of Yen)



Semi-annual Consolidated Balance Sheets (Unaudited)

MEITEC CORPORATION AND SUBSIDIARIES
September 30, 2006 and 2005

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
ASSETS	2006	2005	2006
CURRENT ASSETS:			
Cash and cash equivalents	¥ 15,888	¥ 16,311	$ 135,799
Short-term investments (Note 3)	4,369	3,784	37,342
Notes and accounts receivable:			
Trade notes and accounts	13,178	13,180	112,629
Allowance for doubtful accounts	(12)	(45)	(98)
Inventories (Note 4)	652	1,027	5,568
Deferred tax assets (Note 10)	2,633	2,603	22,503
Prepaid expenses and other	856	937	7,319
Total current assets	37,564	37,797	321,062
PROPERTY AND EQUIPMENT:			
Land	3,909	3,909	33,407
Buildings and structures	21,368	21,423	182,634
Furniture and fixtures	3,152	3,955	26,938
Other	301	391	2,577
Total	28,730	29,678	245,556
Accumulated depreciation	(13,912)	(13,977)	(118,907)
Net property and equipment	14,818	15,701	126,649
INVESTMENTS AND OTHER ASSETS:			
Investment securities (Note 3)	1,518	2,823	12,976
Investments in associated companies	17	26	145
Consolidation goodwill	739	5,249	6,319
Goodwill (Note 9)		1,954	
Leasehold deposits	1,184	1,203	10,117
Deferred tax assets (Note 10)	2,157	2,127	18,437
Deferred tax assets for land revaluation (Note 2(g))		630	
Other	1,425	856	12,177
Total investments and other assets	7,040	14,868	60,171
TOTAL	¥ 59,422	¥ 68,366	$ 507,882

(Continued)

LIABILITIES AND EQUITY	Millions of Yen 2006	Millions of Yen 2005	Thousands of U.S. Dollars (Note 1) 2006
CURRENT LIABILITIES:			
Short-term bank loans (Note 5)		¥ 20	
Current portion of long-term debt (Note 5)		101	
Trade accounts payable	¥ 53	47	$ 452
Income taxes payable	2,024	2,889	17,301
Accrued expenses	7,853	7,801	67,118
Allowance for loss on foreign operations		95	
Other	3,794	3,748	32,427
Total current liabilities	13,724	14,701	117,298
LONG-TERM LIABILITIES:			
Long-term debt (Note 5)		114	
Liability for retirement benefits (Note 6)	5,800	5,037	49,579
Deferred tax liabilities for land revaluation (Note 2(g))	42		359
Other	64	141	545
Total long-term liabilities	5,906	5,292	50,483
MINORITY INTERESTS		213	
EQUITY (Note 7):			
Common stock:			
Authorized:			
142,854 thousand shares in 2006			
144,417 thousand shares in 2005			
Issued:			
36,842 thousand shares in 2006			
38,404 thousand shares in 2005	16,826	16,826	143,811
Capital surplus	15,481	15,481	132,313
Retained earnings	11,706	21,544	100,048
Unrealized gain on available-for-sale securities	236	286	2,026
Land revaluation difference	(944)	(944)	(8,072)
Foreign currency translation adjustments	17	(34)	146
Treasury stock - at cost	(3,732)	(4,999)	(31,901)
Total	39,590	48,160	338,371
Minority interests	202		1,730
Total equity	39,792	48,160	340,101
TOTAL	¥ 59,422	¥ 68,366	$ 507,882

See notes to semi-annual consolidated financial statements.

(Concluded)

Semi-annual Consolidated Statements of Operations (Unaudited)

MEITEC CORPORATION AND SUBSIDIARIES
Six-month periods ended September 30, 2006 and 2005

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2006	2005	2006
NET SALES	¥ 42,009	¥ 40,724	$ 359,053
COST OF SALES	29,428	28,092	251,527
Gross profit	12,581	12,632	107,526
SELLING, GENERAL AND ADMINISTRATIVE EXPENSES	6,651	6,697	56,844
Operating income	5,930	5,935	50,682
OTHER INCOME (EXPENSES):			
Interest and dividend income	20	22	167
Interest expense	(0)	0	(2)
Foreign exchange gain (loss)	(44)	21	(373)
Equity in losses of associated companies	(7)	(7)	(57)
Gain/(Loss) on investments in partnership - net	(5)	25	(45)
Gain/(loss) on sales and disposals of property and equipment - net	(16)	(64)	(135)
Impairment loss（Note 9）	(4,292)		(36,684)
Provision for doubtful accounts		(20)	
Gain on liquidation of foreign operations		65	
Loss on sales of foreign operations (Note 9)	(669)		(5,716)
Other - net	(29)	1	(251)
Other (expenses) income - net	(5,042)	43	(43,096)
INCOME BEFORE INCOME TAXES AND MINORITY INTERESTS	888	5,978	7,586
INCOME TAXES (Note 10):			
Current	2,811	2,985	24,021
Deferred	774	(263)	6,617
Total income taxes	3,585	2,722	30,638
MINORITY INTERESTS IN NET INCOME	6	5	49
NET (LOSS) INCOME	¥ (2,703)	¥ 3,251	$ (23,101)

	Yen		U.S. Dollars
PER SHARE OF COMMON STOCK (Note 2(r) and 13):			
Basic net (loss) income	¥ (74.32)	¥ 86.00	$ (0.64)
Diluted net income	―	85.99	―
Cash dividends applicable to the six months	44.00	44.00	0.38

See notes to semi-annual consolidated financial statements.

Semi-annual Consolidated Statements of Changes in Equity (Unaudited)

MEITEC CORPORATION AND SUBSIDIARIES

Six-month periods ended September 30, 2006 and 2005

	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)
Purchase 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 May 31, 2006 (Note 2.j)										¥ 192	192
Net income				(2,703)					(2,703)		(2,703)
Cash dividends, ¥44.0 per share				(1,699)					(1,699)		(1,699)
Bonuses to directors				(118)					(118)		(118)
Purchase of treasury stock	(665)							(2,552)	(2,552)		(2,552)
Disposal of treasury stock	5			(2)				18	16		16
Net change in the six months					(50)		28		(22)	10	(12)
BALANCE, SEPTEMBER 30, 2006	35,876	¥ 16,826	¥ 15,481	¥ 11,706	¥ 236	¥ (944)	¥ 17	¥ (3,732)	¥ 39,590	¥ 202	¥ 39,792

BALANCE, MARCH 31, 2006		$ 143,811	$ 132,313	$ 138,697	$ 2,453	$ (8,072)	$ (92)	$ (10,237)	$ 398,873		$ 398,873
Reclassified balance as of May 31, 2006 (Note 2.j)										$ 1,637	1,637
Net income				(23,101)					(23,101)		(23,101)
Cash dividends, $0.38 per share				(14,521)					(14,521)		(14,521)
Bonuses to directors				(1,009)					(1,009)		(1,009)
Purchase of treasury stock								(21,819)	(21,819)		(21,819)
Disposal of treasury stock				(18)				155	137		137
Net change in the six months					(427)		238		(189)	93	(96)
BALANCE, SEPTEMBER 30, 2006		$ 143,811	$ 132,313	$ 100,048	$ 2,026	$ (8,072)	$ 146	$ (31,901)	$ 338,371	$ 1,730	$ 340,101

See notes to semi-annual consolidated financial statements.

Semi-annual Consolidated Statements of Cash Flow (Unaudited)

MEITEC CORPORATION AND SUBSIDIARIES
Six-month periods ended September 30, 2006 and 2005

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2006	2005	2006
OPERATING ACTIVITIES:			
Income before income taxes and minority interests	¥ 888	¥ 5,978	$ 7,586
Adjustments for:			
Income taxes - paid	(4,290)	(1,905)	(36,663)
Depreciation and amortization	572	587	4,885
Amortisation of consolidation goodwill	79	133	676
Equity in losses of an associated company	7	7	57
Loss on sales and disposals of fixed assets - net	13	51	116
Loss on sales of foreign operations	669		5,716
(Gain)/loss on investments in partnership - net	5	(25)	45
Impairment loss	4,292		36,684
Changes in assets and liabilities:			
(Increase)/decrease in trade notes and accounts	(425)	315	(3,629)
Decrease in inventories	152	97	1,297
Increase/(decrease) in accrued expenses	263	(95)	2,245
Increase/(decrease) in consumption taxes payable	255	(117)	2,178
Increase in liability for retirement benefits	371	326	3,169
Increase/(decrease) in other current liabilities	289	(1,001)	2,474
Other - net	(44)	(90)	(376)
Total adjustments	2,208	(1,717)	18,874
Net cash provided by operating activities	3,096	4,261	26,460
INVESTING ACTIVITIES:			
Purchases of short-term investments	(300)	(700)	(2,564)
Proceeds from sales of short-term investments	50	400	427
Purchases of investment in subsidiaries		(39)	
Proceeds from sales of foreign operations	207		1,770
Purchases of property and equipment	(74)	(165)	(634)
Proceeds from sales of property and equipment	0		2
Purchases of other investments and assets	(197)	(135)	(1,684)
Proceeds from sales of other investments and assets	59	138	505
Net cash used in investing activities	(255)	(501)	(2,178)
FINANCING ACTIVITIES:			
Acquisition of treasury stock	(2,553)	(3,133)	(21,819)
Proceeds from sales of treasury stock	16	14	137
Dividends paid	(1,697)	(1,214)	(14,505)
Net cash used in financing activities	(4,234)	(4,333)	(36,187)
FOREIGN CURRENCY TRANSLATION ADJUSTMENTS ON CASH AND CASH EQUIVALENTS	6	23	51
NET DECREASE IN CASH AND CASH EQUIVALENTS	(1,387)	(550)	(11,854)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	17,275	16,861	147,653
CASH AND CASH EQUIVALENTS, END OF PERIOD	¥ 15,888	¥ 16,311	$ 135,799

See notes to semi-annual consolidated financial statements

(Concluded)

Notes to Semi-annual Consolidated Financial Statements (Unaudited)

MEITEC CORPORATION AND SUBSIDIARIES
Six-month periods ended September 30, 2006 and 2005

1. BASIS OF PRESENTING SEMI-ANNUAL CONSOLIDATED FINANCIAL STATEMENTS

The accompanying semi-annual consolidated financial statements have been prepared in accordance with the provisions set forth in the Japanese Securities and Exchange Law and its related accounting regulations, and in conformity with accounting principles generally accepted in Japan, 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 statement of shareholders’ equity, which was previously voluntarily prepared in line with the international accounting practices, is now required under generally accepted accounting principles in Japan and has been renamed “the statement of changes in equity” from the current fiscal year.

In preparing these semi-annual consolidated financial statements, certain reclassifications and rearrangements have been made to the semi-annual consolidated financial statements issued domestically in order to present them in a form which is more familiar to readers outside Japan. In addition, certain reclassifications have been made in the 2005 semi-annual consolidated financial statements to conform to the classifications used in 2006.

The semi-annual consolidated financial statements are stated in Japanese yen, the currency of the country in which MEITEC CORPORATION (the "Company") is incorporated and operates. The translation 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 ¥117 to $1, the approximate rate of exchange at September 30, 2006. Such translations should not be construed as representations that the Japanese yen amounts could be converted into U.S. dollars at that or any other rate.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Consolidation

The semi-annual consolidated financial statements for the six-month period ended September 30, 2006 include the accounts of the Company and its fourteen (thirteen in 2005) subsidiaries (together, the "Group").

In 2006, three subsidiaries were newly established and newly included in the scope of consolidation. Three subsidiaries were out of the scope of consolidation. Two subsidiaries, including Novations Group Inc. were sold in August 2006 and the other subsidiary was liquidated.

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.

Investment in one (one in 2005) associated company was accounted for by the equity method.

The excess of the cost of the Company's investments in subsidiaries and associated companies accounted for by the equity method over its equity in the net assets at the respective dates of acquisition is being amortized by using the straight line method 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) 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.

(c) Inventories

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

(d) Marketable and Investment Securities

Marketable and investment securities are classified and accounted for, depending on management's intent, as follows: (1) 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
(2) available-for-sale securities, which include debt securities not classified as held-to-maturity, are reported at fair value, with unrealized gains and losses, net of applicable taxes, reported in a separate component of shareholders' 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.

(e) Property and Equipment

Property and equipment are stated at cost. Depreciation is principally computed by the declining-balance method at rates based on the estimated useful lives of the assets, while the straight-line method is applied to certain buildings. The range of useful lives is principally from 7 to 50 years for buildings and structures, and from 3 to 15 years for furniture and fixtures.

(f) 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.

(g) 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 six-month period ended September 30, 2006, the Group reviewed collectibility of deferred tax assets and, as a result, valuation allowance of ¥672 million ($5,741 thousand) was provided. The effect is included in income tax-deferred in the statement of operations.

At September 30, 2006, the carrying amount of the land after the one-time revaluation exceeded the market value by ¥1,655 million ($14,141 thousand).

(h) Allowance for loss on foreign operations

Allowance for loss on foreign operations as of September 30, 2005 is stated in amounts considered to be appropriate based on an evaluation of potential losses arising from foreign operations in certain subsidiaries.

(i) Retirement and Pension Plans

The Company and its subsidiaries have unfunded retirement benefit plans. The Company also has a contributory funded pension plan covering substantially all of its employees.

The liability for retirement benefits is accounted for based on the projected benefit obligations and plan assets at the balance sheet date.

(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.

(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/period end to which such bonuses are attributable. The effect of this change was to decrease income before income taxes and minority interests for the six-month period ended September 30, 2006 by ¥6 million ($49 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 subsidiaries are translated into Japanese yen at the current exchange rate as of the balance sheet date except for shareholders' 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 Japanese yen at the average exchange rate.

(q) Derivatives and Hedging Activities

A certain subsidiary uses derivative financial instruments to manage its exposures to fluctuations in foreign exchange rates. Currency swaps are utilized by the subsidiary to reduce foreign currency exchange rate risks. The subsidiary does not enter into derivatives for trading or speculative purposes.

Derivative financial instruments and foreign currency transactions are classified and accounted for as follows: (1) all derivatives are recognized as either assets or liabilities and measured at fair value, and gains or losses on derivative transactions are recognized in the income statement and (2) for derivatives used for hedging purposes, if derivatives qualify for hedge accounting because of high correlation and effectiveness between the hedging instruments and the hedged items, gains or losses on derivatives are deferred until maturity of the hedged transactions.

(r) 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 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 semi-annual consolidated statements of income are dividends applicable to the respective periods including dividends to be paid after the end of the period.

3. SHORT-TERM INVESTMENTS AND INVESTMENT SECURITIES

Short-term investments and investment securities at September 30, 2006 and 2005 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2006	2005	2006
Short-term investments:			
Time deposits	¥ 2,500	¥ 2,012	$ 21,368
Other	1,869	1,772	15,974
Total	¥ 4,369	¥ 3,784	$ 37,342
Investment securities:			
Equity securities	¥ 954	¥ 2,159	$ 8,157
Debt securities	198	198	1,688
Other	366	466	3,131
Total	¥ 1,518	¥ 2,823	$ 12,976

Information regarding each category of securities classified as available-for-sale at September 30, 2006 and 2005 was as follows:

September 30, 2006

	Millions of Yen			
	Cost	Unrealized Gains	Unrealized Losses	Fair Value
Available-for-sale:				
Equity securities	¥ 453	¥ 425	¥ (6)	¥ 872
Debt securities	199		(1)	198
Other	1,901	2	(34)	1,869

	Thousands of U.S. Dollars			
	Cost	Unrealized Gains	Unrealized Losses	Fair Value
Available-for-sale:				
Equity securities	$ 3,876	$ 3,629	$ (52)	$ 7,453
Debt securities	1,703		(15)	1,688
Other	16,244	17	(287)	15,974

September 30, 2005

	Millions of Yen			
	Cost	Unrealized Gains	Unrealized Losses	Fair Value
Available-for-sale:				
Equity securities	¥ 467	¥ 428	¥ (6)	¥ 889
Debt securities	199		(1)	198
Other	1,749	35	(12)	1,772

Available-for-sale securities whose fair value is not readily determinable at September 30, 2006 and 2005 were as follows:

	Carrying Amount		
	Millions of Yen		Thousands of U.S. Dollars
	2006	2005	2006
Equity securities	¥ 82	¥ 1,270	$ 704
Other	366	466	3,131
Total	¥ 448	¥ 1,736	$ 3,835

4. INVENTORIES

Inventories at March 31, 2006 and 2005 consisted mainly of work in process related to career support and engineering outsourcing.

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

There was no short-term bank loans at September 30, 2006.
Short-term bank loans at September 30, 2005 consisted of bank overdrafts. The weight average annual interest rates for short-term bank loans for the six-month period ended September 30, 2005 were 2.5 percent.

At September 30, 2006 and 2005, the Company had loan commitments from 6 banks and 2 insurance companies and 7 banks and 2 insurance companies, respectively, in an aggregate amount of ¥6,000 million ($51,282 thousand). There were no loans utilized and outstanding under these arrangements at September 30, 2006 and 2005.

There were no long-term bank loans and long-term debt at September 30, 2006.
Long-term debt at September 30, 2005 consisted of the following:

	Millions of Yen
	2005
Unsecured loans from banks and other, due serially to 2010 with interest rates ranging from 1.6% to 3.0% (in 2005)	¥ 215
Less current portion	101
Long-term debt, less current portion	114

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. Employees are entitled to larger payments if the termination is involuntary, by retirement at the mandatory retirement age, or by death, or by voluntary retirement at certain specific ages prior to the mandatory retirement age.

7. EQUITY

Through May 1, 2006, Japanese companies are subject to the Commercial Code of Japan (the “Code”).

The Code requires that all shares of common stock be issued with no par value and at least 50% of the issue price of new shares is required to be recorded as common stock and the remaining net proceeds are required to be presented as additional paid-in capital, which is included in capital surplus. The Code permits Japanese companies, upon approval of the Board of Directors, to issue shares to existing shareholders without consideration by way of a stock split. Such issuance of shares generally does not give rise to changes within the shareholders’ accounts.

The Code also provides that an amount of 10% or more of the aggregate amount of cash dividends and certain other appropriations of retained earnings associated with cash outlays applicable to each period (such as bonuses to directors) shall be appropriated as a legal reserve (a component of retained earnings) until the total of such reserve and additional paid-in capital equals 25% of common stock. The amount of total legal reserve and additional paid-in capital that exceeds 25% of the common stock may be available for dividends by resolution of the shareholders after transferring such excess in accordance with the Code. In addition, the Code permits the transfer of a portion of additional paid-in capital and legal reserve to the common stock by resolution of the Board of Directors.

The Code allows Japanese companies to purchase treasury stock and dispose of such treasury stock upon resolution of the Board of Directors. The aggregate purchased amount of treasury stock cannot exceed the amount available for future dividends plus the amount of common stock, additional paid-in capital or legal reserve that could be transferred to retained earnings or other capital surplus other than additional paid-in capital upon approval of such transfer at the annual general meeting of shareholders.

In addition to the provision that requires an appropriation for a legal reserve in connection with the cash outlays, the Code also imposes certain limitations on the amount of capital surplus and retained earnings available for dividends.

Dividends are approved by the shareholders at a meeting held subsequent to the end of 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.

On May 1, 2006, a new corporate law (the “Corporate Law”) became effective, which reformed and replaced the Code with various revisions that would, for the most part, be 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) if the company has prescribed so in its articles of incorporation.
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. Under the Code, certain limitations were imposed on the amount of capital surplus and retained earnings available for dividends. The Corporate Law also 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 Code, the aggregate amount of additional paid-in capital and legal reserve that exceeds 25% of the common stock may be made available for dividends by resolution of the shareholders. Under the Corporate Law, the total amount of additional paid-in capital and legal reserve may be reversed without limitation of such threshold. 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 shareholders' 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 shareholders' equity or deducted directly from stock acquisition rights.

8. STOCK OPTION PLAN

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

Date of Approval	Option Holder	Total Number of Options Granted	Exercise Period	Exercise Price
June 26, 1998	Directors	77,500	From June 27, 2000	¥5,530
	Key employees	44,000	to June 26, 2008	
June 29, 1999	Directors	72,500	From June 30, 2001	¥3,997
	Key employees	46,000	to June 29, 2009	
June 29, 2000	Directors	70,000	From June 30, 2002	¥4,280
	Key employees	71,000	to June 29, 2010	
June 26, 2001	Directors	60,000	From June 27, 2003	¥4,280
	Key employees	79,000	to June 26, 2011	
June 25, 2002	Directors Key employees	129,000	From June 27, 2004 to June 26, 2012	¥3,066
June 24, 2003	Directors and Key employees	128,000	From June 25, 2005 to June 24, 2013	¥4,166
June 24, 2004	Directors and Key employees	111,000	From June 25, 2006 to June 24, 2008	¥4,370

The stock options outstanding at September 30, 2006 were less than the above granted numbers due to forfeiture of rights.

The balance of treasury stock recorded in equity at September 30, 2006 and 2005 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 2005 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 subsidiaries, 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 ¥669 million ($5,716 thousand).

The Group recognized impairment loss of ¥4,292 ($36,684 thousand) million on consolidation goodwill of Drake Beam Morin-Japan, Inc and subsidiaries, because it would not be expected to earn revenue after the above sales as expected when the Group invested in them.

The recoverable amount of consolidation goodwill was measured at its value in use 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 six-month periods ended September 30, 2006 and 2005.

11. LEASES

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

Total rental expenses under the above leases for the six-month periods ended September 30, 2006 and 2005 were ¥11 million ($90 thousand) and ¥1 million, respectively.

Pro forma information for leased property under finance leases that do not transfer ownership of the leased property to the lessee on an "as if capitalized" basis at September 30, 2006 and 2005 was as follows:

	Millions of Yen							
	2006				2005			
	Buildings and Structures	Furniture and Fixtures	Other	Total	Buildings and Structures	Furniture and Fixtures	Other	Total
Acquisition cost	¥ 45	¥ 11	¥ 59	¥ 115	¥ 15	¥ 79	¥ 15	¥ 109
Accumulated depreciation	5	4	44	53		50	8	58
Net leased property	¥ 40	¥ 7	¥ 15	¥ 62	¥ 15	¥ 29	¥ 7	¥ 51

	Thousands of U.S. Dollars			
	2006			
	Buildings and Structures	Furniture and Fixtures	Other	Total
Acquisition cost	$ 388	$ 94	$ 504	$ 986
Accumulated depreciation	47	37	372	457
Net leased property	$ 341	$ 56	$ 132	$ 529

Obligations under finance leases at September 30, 2006 and 2005:

	Millions of Yen		Thousands of U.S. Dollars
	2006	2005	2006
Due within one year	¥ 18	¥ 17	$ 151
Due after one year	44	34	378
Total	¥ 62	¥ 51	$ 529

Depreciation expense, which was not reflected in the accompanying semi-annual consolidated statements of income computed by the straight-line method, was ¥11 million ($90 thousand) and ¥1 million for the six-month periods ended September 30, 2006 and 2005, respectively.

12. DERIVATIVES

A certain subsidiary enters into currency swaps to hedge foreign exchange risk associated with certain loan receivable denominated in foreign currencies.

All derivative transactions are entered into to hedge foreign currency exposures incorporated within its business. Accordingly, market risk in these derivatives is basically offset by opposite movements in the value of hedged assets or liabilities.

Because the counterparties to these derivatives are limited to major international financial institutions, the subsidiary does not anticipate any losses arising from credit risk.

Derivative transactions entered into by the subsidiary have been made in accordance with internal policies which regulate the authorization and credit limit amount.

The subsidiary had no derivative contract outstanding at September 30, 2006, but it had the following derivative contract outstanding at September 30, 2005:

	(Millions of Yen)		
	2005		
	Contract Amount	Fair Value	Unrealized Gain / Loss
Currency swap:			
(fixed rate receipt, floating rate payment)	¥ 1,791	¥ 110	¥ 110

The currency swap which qualifies for hedge accounting for the six-month period ended September 30, 2005 is excluded from the disclosure of market value information.

The contract which is shown in the above table does not represent the amounts exchanged by the parties and does not measure the subsidiary's exposure to credit or market risk.

13. NET INCOME PER SHARE

Reconciliation of the differences between basic and diluted net income per share ("EPS") for the six-month periods ended September 30, 2006 and 2005 is as follows:

<u>Six-month period ended September 30, 2006:</u>

	Millions of Yen	Thousands of shares	Yen	U.S. Dollars
	Net loss	Weighted average shares	EPS	
Basic EPS				
Net loss attributable to common shareholders	¥ (2,703)	36,366	¥ (74.32)	$ (0.64)

Note: Diluted net income per share is not disclosed because of the Company's net loss position.

Six-month period ended September 30, 2005:

	Millions of Yen	Thousands of shares	Yen
	Net income	Weighted average shares	EPS
Basic EPS			
Net income available to common shareholders	¥ 3,251	37,800	¥ 86.00
Effect of Dilutive Securities			
Warrants		4	
Diluted EPS			
Net income for computation	¥ 3,251	37,804	¥ 85.99

14. SEGMENT INFORMATION

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 sales of Novations Group Inc. and its subsidiary, U.S. subsidiaries of Drake Beam Morin-Japan, Inc., which had been the core company for training business.

The Group operates in the following industries:

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.

Information about industry segments, geographical segments and sales to foreign customers of the Company and subsidiaries for the six-month periods September 30, 2006 and 2005, is as follows:

a. Industry Segments

Sales and Operating Income (Loss)

	Millions of Yen					
	2006					
	Outsourcing	Engineering Solutions	Global	Career Support	Eliminations/ Corporate	Consolidated
Sales to customers	¥ 37,934	¥ 1,237	¥ 98	¥ 2,740		¥ 42,009
Intersegment sales	62	243	35	3	¥ (343)	
Total sales	37,996	1,480	133	2,743	(343)	42,009
Operating expenses	31,860	1,404	216	2,947	(348)	36,079
Operating income (loss)	¥ 6,136	¥ 76	¥ (83)	¥ (204)	¥ 5	¥ 5,930

Sales and Operating Income (Loss)

	Thousands of U.S. Dollars					
	2006					
	Outsourcing	Engineering Solutions	Global	Career Support	Eliminations/ Corporate	Consolidated
Sales to customers	$ 324,220	$10,576	$ 839	$ 23,418		$ 359,053
Intersegment sales	530	2,080	299	22	$ (2,931)	
Total sales	324,750	12,656	1,138	23,440	(2,931)	359,053
Operating expenses	272,305	12,011	1,845	25,185	(2,975)	308,371
Operating income (loss)	$ 52,445	$ 645	$ (707)	$ (1,745)	$ 44	$ 50,682

Notes: 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 six-month period ended September 30, 2006 by ¥6 million ($48 thousand) and ¥0 million ($1 thousand) respectively.

Sales and Operating Income (Loss)

	Millions of Yen					
	2005					
	Outsourcing	Engineering Solutions	Global	Career Support	Eliminations/ Corporate	Consolidated
Sales to customers	¥ 37,075	¥ 317	¥ 51	¥ 3,281		¥ 40,724
Intersegment sales	42	115	23	16	¥ (196)	
Total sales	37,117	432	74	3,297	(196)	40,724
Operating expenses	30,941	404	105	3,402	(63)	34,789
Operating income (loss)	¥ 6,176	¥ 28	¥ (31)	¥ (105)	¥ (133)	¥ 5,935

Notes:

1. Corporate operating expenses of ¥133 million, which are included in "Eliminations/corporate," consist of amortization of consolidation goodwill.

2. The segment information for the six-month period ended September 30, 2005 was prepared using the new segmentation.

b. Geographical Segments

Sales and Operating Income (Loss)

	Millions of Yen				
	2006				
	Japan	North America	China	Eliminations/ Corporate	Consolidated
Sales to customers	¥ 40,454	¥ 1,537	¥ 18		¥42,009
Interarea transfer			24	¥ (24)	
Total sales	40,454	1,537	42	(24)	42,009
Operating expenses	34,416	1,604	83	¥ (24)	36,079
Operating income (loss)	¥ 6,038	¥ (67)	¥ (41)		¥ 5,930

Sales and Operating Income (Loss)

	Thousands of U.S. Dollars				
	2006				
	Japan	North America	China	Eliminations/ Corporate	Consolidated
Sales to customers	$ 345,765	$ 13,136	$ 152	-	$ 359,053
Interarea transfer			203	$ (203)	
Total sales	345,765	13,136	355	(203)	359,053
Operating expenses	294,159	13,705	710	$ (203)	308,371
Operating income (loss)	$ 51,606	$ (569)	$ (355)		$ 50,682

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 six-month period ended September 30, 2006 by ¥6 million ($49 thousand). North America consists of the United States of America and Canada.

Sales and Operating Income (Loss)

	Millions of Yen				
	2005				
	Japan	North America	China	Eliminations/ Corporate	Consolidated
Sales to customers	¥ 38,833	¥ 1,883	¥ 8		¥40,724
Interarea transfer					
Total sales	38,833	1,883	8		40,724
Operating expenses	32,779	1,862	15	¥ 133	34,789
Operating income (loss)	¥ 6,054	¥ 21	¥ (7)	¥ (133)	¥ 5,935

Notes:
1. North America consists of the United States of America and Canada.
2. Corporate operating expenses of ¥133 million, which are included in "Eliminations/corporate," consist of amortization of consolidation goodwill.

c. *Sales to Foreign Customers*

	Millions of Yen		
	2006		
	North America	China	Total
Sales to foreign customers	¥ 1,537	¥ 41	¥ 1,578
Consolidated sales			42,009
The ratio of sales to foreign customers	3.7%	0.1%	3.8%

	Thousands of U.S. Dollars		
	2006		
	North America	China	Total
Sales to foreign customers	$ 13,136	$355	$ 13,491
Consolidated sales			359,053
The ratio of sales to foreign customers	3.7%	0.1%	3.8%

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

	Millions of Yen		
	2005		
	North America	China	Total
Sales to foreign customers	¥ 1,883	¥ 8	¥ 1,891
Consolidated sales			40,724
The ratio of sales to foreign customers	4.6%	0.0%	4.6%

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

* * *

Supplemental Semi-annual Non-Consolidated Balance Sheets (Unaudited)

September 30, 2006 and 2005

ASSETS	Millions of Yen 2006	Millions of Yen 2005	Thousands of U.S. Dollars 2006
CURRENT ASSETS:			
Cash and cash equivalents	¥ 13,858	¥ 13,858	$ 118,444
Short-term investments	4,369	3,672	37,342
Notes and accounts receivable:			
Trade notes and accounts	10,841	10,223	92,657
Allowance for doubtful accounts	(2)	(2)	(20)
Inventories	195	125	1,666
Deferred tax assets	2,223	2,196	18,998
Prepaid expenses and other	850	600	7,270
Total current assets	32,334	30,672	276,357
PROPERTY AND EQUIPMENT:			
Land	3,906	3,906	33,387
Buildings and structures	20,928	20,930	178,872
Furniture and fixtures	2,649	3,265	22,639
Other	187	184	1,602
Total	27,670	28,285	236,500
Accumulated depreciation	(13,188)	(13,069)	(112,720)
Net property and equipment	14,482	15,216	123,780
INVESTMENTS AND OTHER ASSETS:			
Investment securities	1,492	1,627	12,754
Investments in and advances to subsidiaries and associated companies	6,667	15,794	56,987
Leasehold deposits	818	780	6,994
Deferred tax assets	2,127	2,075	18,179
Deferred tax assets for land revaluation		630	
Other	1,179	618	10,070
Total investments and other assets	12,283	21,524	104,984
TOTAL	¥ 59,099	¥ 67,412	$ 505,121

(Continued)

LIABILITIES AND EQUITY	Millions of Yen 2006	Millions of Yen 2005	Thousands of U.S. Dollars 2006
CURRENT LIABILITIES:			
Income taxes payable	¥ 1,655	¥ 2,539	$ 14,147
Deposits from subsidiaries	4,235	5,324	36,198
Accrued expenses	6,269	6,102	53,581
Other	1,726	1,096	14,754
Total current liabilities	13,885	15,061	118,680
LONG-TERM LIABILITIES:			
Liability for retirement benefits	5,700	4,955	48,718
Deferred tax liabilities for land revaluation	¥ 42		¥ 360
Total long-term liabilities	5,742	4,955	49,078
EQUITY:			
Common stock:			
Authorized:			
142,854 thousand shares in 2006			
144,417 thousand shares in 2005			
Issued:			
36,842 thousand shares in 2006			
38,404 thousand shares in 2005	16,826	16,826	143,811
Capital surplus			
Additional paid-in capital	15,481	15,481	132,313
Retained earnings			
Legal reserve	4,203	4,203	35,920
Unappropriated	7,403	16,559	63,271
Unrealized gain on available-for-sale securities	235	270	2,021
Land revaluation difference	(944)	(944)	(8,072)
Treasury stock - at cost:			
475 thousand shares in 2006 and 1,358 thousand shares in 2005	(3,732)	(4,999)	(31,901)
Total equity	39,472	47,396	337,363
TOTAL	¥ 59,099	¥ 67,412	$ 505,121

The translations of Japanese yen amounts into U.S. dollar amounts have been made at the rate of ¥117 to $1, the approximate rate of exchange at September 30, 2006.

(Concluded)

Supplemental Semi-annual Non-Consolidated Statements of Operations (Unaudited)

Six-month periods ended September 30, 2006 and 2005

	Millions of Yen		Thousands of U.S. Dollars
	2006	2005	2006
NET SALES	¥ 30,799	¥ 30,366	$ 263,243
COST OF SALES	21,592	21,155	184,551
Gross profit	9,207	9,211	78,692
SELLING, GENERAL AND ADMINISTRATIVE EXPENSES	3,854	3,833	32,938
Operating income	5,353	5,378	45,754
OTHER INCOME (EXPENSES):			
Interest and dividend income	4,347	299	37,157
Interest expense	(2)		(14)
Gain/(Loss) on investments in partnership - net	(5)	25	(45)
Loss on sale and disposal of fixed assets - net	(1)	(21)	(10)
Provision for doubtful accounts		(20)	
Write-down of investments in subsidiaries	(9,896)		(84,584)
Other - net	52	29	442
Other income (expenses) - net	(5,505)	312	(47,054)
(LOSS) INCOME BEFORE INCOME TAXES	(152)	5,690	(1,300)
INCOME TAXES:			
Current	2,451	2,647	20,953
Deferred	776	(380)	6,629
Total income taxes	3,227	2,267	27,582
NET (LOSS) INCOME	¥ (3,379)	¥ 3,423	$ (28,882)

	Yen		U.S. Dollars
PER SHARE OF COMMON STOCK:			
Basic net (loss) income	¥ (92.92)	¥ 90.55	$ (0.79)
Diluted net income		90.54	
Cash dividends applicable to the six months	44.00	44.00	0.38

Note:

1.The translations of Japanese yen amounts into U.S. dollar amounts have been made at the rate of ¥117 to $1, the approximate rate of exchange at September 30, 2006.

2.The computation of net income/loss per share is based on the weighted average number of shares of common stock outstanding during each period.
The weighted average number of common shares used in the computation of basic net income/loss was 36,366 thousand shares for 2006 and 37,800 thousand shares for 2005.

3.Diluted net income per share for 2006 is not disclosed because of the Company's net loss position.

Corporate Data *(As of September 30, 2006)*

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, Kokusai 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: 36,841,855 shares
Shareholders	9,090
Employees (consolidated)	8,302
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. Shanghai Apomac Science & Technology MEITEC CAE CORPORATION
	Global Business Meitec Global Solutions Inc. Meitec Shanghai MEITEC Dalian TechnoCenter Co., Ltd. MEITEC Guangzhou TechnoCenter Co., Ltd. ZHEJIANG MI High Technology Co., Ltd.
	Career Support Business Drake Beam Morin-Japan, Inc. MEITEC NEXT CORPORATION

Notes: 1. On October 1, 2006, Japan Cast Inc. changed its corporate name to MEITEC CAST Inc.
2. On July 3, 2006 MEITEC NEXT CORPORATION was established.

Executive Officers, Directors and Corporate Auditors	President and Representative Director	Kosuke Nishimoto	
(As of November 1, 2006)	CEO & COO	Kosuke Nishimoto	
	Executive Officers	Akiyoshi Ogasawara Hideyo Kokubun Hidenori Nagasaka Hideharu Naganuma	Shigeo Kamezawa Kouji Shimomura Kiyomasa Nakajima Satoshi Yanagisawa
	Directors	Kanji Fukuda Toshihiko Murayama Atsuhiko Umeda[1]	Hideyo Kokubun Hiroshi Yoneda
	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.

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