MEITEC
THE ENGINEERING OUTSOURCING® COMPANY

Superior talent for evolving needs

Annual Report 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.

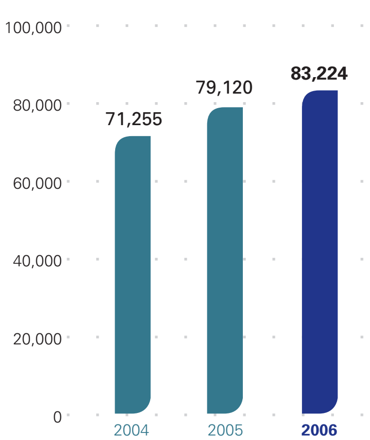
CONTENTS

Consolidated Financial Highlights

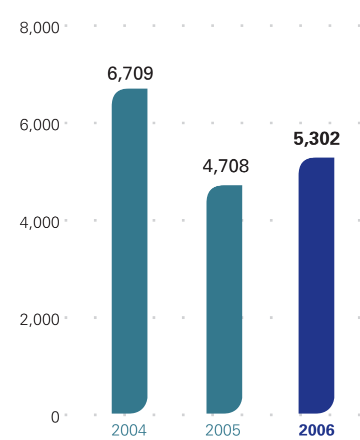
Years ended March 31	Millions of yen 2006	2005	2004	Thousands of U.S. dollars (Note 1) 2006
Net sales	**¥ 83,224**	¥ 79,120	¥ 71,255	**$ 711,313**
Operating income	**12,485**	12,289	12,267	**106,710**
Net income	**5,302**	4,708	6,709	**45,318**
Total assets	**67,185**	68,675	60,882	**574,233**
Total shareholders' equity	**46,668**	49,218	42,686	**398,873**
	Yen			U.S. dollars (Note 1)
Per Share of Common Stock:				
Shareholders' equity	**¥ 1,274.10**	¥1,295.04	¥ 1,228.41	**$ 10.89**
Cash dividends	**90.50**	64.00	78.00	**0.77**
Net Income (basic) (Note 2)	**138.93**	126.61	185.69	**1.19**
	%			
Return on average equity	**11.1**	10.2	15.2	

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 March 31, 2006.
2. Net income per share is computed based on the weighted average number of shares outstanding during each term.

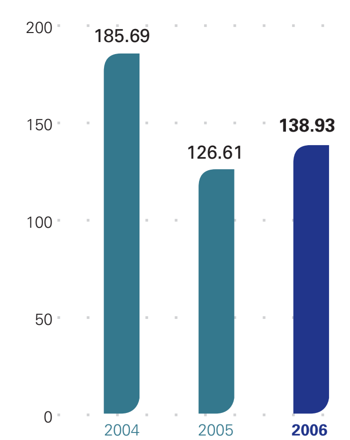
NET SALES
(Millions of Yen)



NET INCOME
(Millions of Yen)



BASIC 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, 2006.

A STRONG OPERATING ENVIRONMENT

The Japanese economy during the fiscal year under review was affected by concerns over the steep rise in prices for crude oil and other raw materials, and uncertainty surrounding the future of the U.S. and Chinese economies, countries with which Japan's economy is strongly linked. Overall, however, an underlying tone of recovery continued from the previous fiscal period. In particular, the manufacturing industry—the sector containing the majority of Meitec's major clients—saw a trend toward an increase in medium- and long-term strategic investment. This was evident in such developments as new capital investment in areas from development to production.

RECORD-HIGH REVENUE AND OPERATING INCOME

In this operating environment, Meitec expanded its business, primarily its mainstay temporary engineers staffing business, and achieved record-high revenues and earnings (operating income) on a consolidated basis. Net sales rose for the sixth consecutive fiscal year, and operating income for the third successive year.

In consolidated net sales, approximately 86% of which are generated by the temporary engineers staffing business, Meitec posted results roughly on a par with the same period of the previous year, while MEITEC FIELDERS INC. experienced a 6.7% gain in net sales. This reflected the Group's expansion of its market share through a collaboration in marketing operations between Meitec and MEITEC FIELDERS.

Net sales by engineering field grew substantially compared to the same period in the previous year in the three fields of electronics, precision equipment, and information and communications devices. This resulted from marketing efforts to diversify net sales among a variety of fields, to correct overdependence on revenue expansion in the automobile and semiconductor design fields in recent years. Although Meitec's utilization ratio rose compared to the previous fiscal year, the number of facilities utilizing Meitec's services fell. Accordingly, earnings (operating income) declined despite an increase in net sales.

MEITEC FIELDERS achieved higher revenues from growth in the number of engineers. Rising selling, general and administrative (SG&A) expenses incurred to expand the business were absorbed in the second half of the fiscal year, resulting in an expansion in operating income. Japan Cast Inc., which operates a registration-style temporary staffing business company in cooperation with the temporary engineers staffing business, achieved higher revenue by strengthening marketing efforts in the manufacturing industry in cooperation with Meitec and MEITEC FIELDERS. Its operating income declined, however, reflecting greater SG&A expenses stemming from investment in new staff placement business.

The engineering solutions business serves primarily the major clients of the Meitec Group (the manufacturing industry), by placing engineers in key positions to create prototypes and printed circuit boards corresponding to design and development. Engineering solutions companies Three D Tec Inc. (3D Tec) and Information Management System Co., Ltd. (IMS) each achieved increases in both net sales and operating income by enhancing marketing efforts and expanding the scope of their services. Apollo Giken Co., Ltd. was added to the Meitec Group from October 2005 to strengthen the printed circuit board business, further expanding the Group's business.

ONGOING EXPANSION OF GLOBAL OPERATIONS

In global business operations, which focus mainly on China, Meitec Global Solutions Inc. also recorded rising net sales. This was due to a steady increase in contracts for its offshore-style outsourcing to Chinese corporations, now in its third year in business, and the Chinese engineer outsourcing business that was launched in October 2005. Operating income declined, however, due to anticipatory investments to train Chinese engineers, which were recorded under cost of sales and SG&A expenses.

PROFITABILITY ACHIEVED AT DRAKE BEAM MORIN-JAPAN, INC.

The outplacement business conducted by Drake Beam Morin-Japan, Inc. (DBM-J)—which was integrated with the Company in October 2004—recorded declines in net sales and earnings (operating income) that continued from the previous fiscal year, due to the impact of shrinkage in the outplacement market. However, the successful integration and abolition of DBM-J's U.S. subsidiary, Novations Group Inc. (the holding company), and its subsidiaries Novations Group, Inc. and Novations Performance Solutions, Ltd. in December 2004 restored profitability (operating income), placing the DBM-J Group back in the black.

FINANCIAL PERFORMANCE

As a result of the above, Meitec's consolidated net sales rose 5.2% year on year, to ¥83,224 million (US$711,313 thousand). In terms of earnings, operating income increased 1.6%, to ¥12,485 million (US$106,710 thousand), ordinary income advanced 3.1%, to ¥12,562 million (US$107,368 thousand), and net income expanded 12.6%, to ¥5,302 million (US$45,318 thousand). Return on equity (ROE), on a net income basis, was 11.1%, up 0.9 percentage point compared with the previous fiscal year.

Dividends for the fiscal year under review, based on our policy of maintaining a dividend payout ratio greater than 30% of net income per share, have been set at ¥90.50 (US$0.77) per share (including an interim dividend of ¥44.0 [US$0.38] per share).

Thank you for your continued support of Meitec.

June 2006

Kosuke Nishimoto

Kosuke Nishimoto

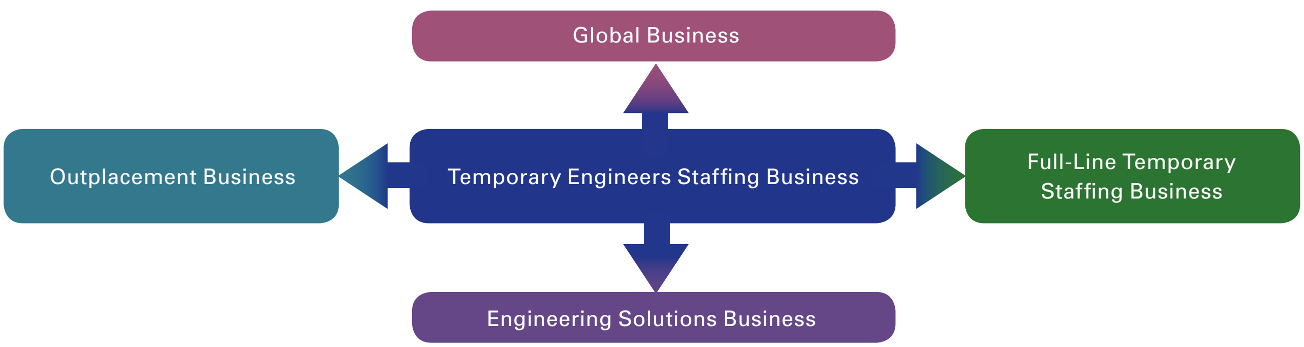
President, CEO & COO

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 outplacement 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 Japan Cast.

■ Engineering Solutions Business

Engineering solutions for the creation of prototypes and circuit boards corresponding to design and development, handled by 3D Tec, IMS, Apollo Giken, and Meitec Shanghai.

■ Global Business

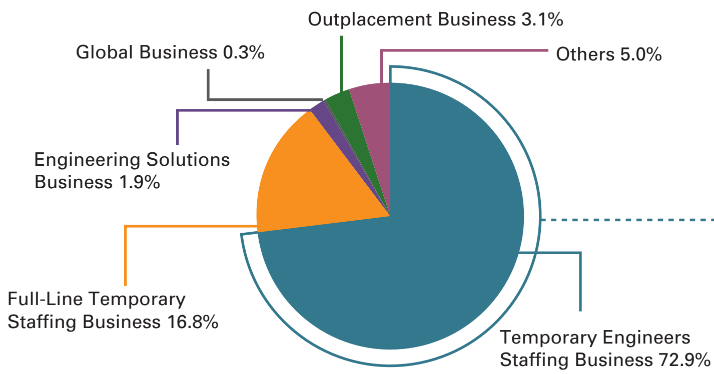
Training and consulting to develop engineers overseas, is the main business focus of the following subsidiaries: MGS, Meitec Shanghai, MEITEC Dalian Techno-Center Co., Ltd., and MEITEC Guangzhou Techno-Center Co., Ltd.

■ Outplacement Business

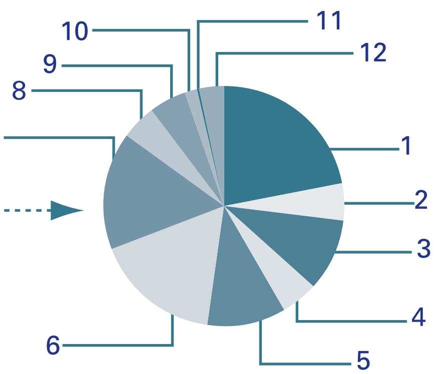
Outplacement support services to employees leaving client firms under contract with client firms, handled by DBM-J.

Operational Review

REVENUE BY MEITEC GROUP'S BUSINESS DOMAIN

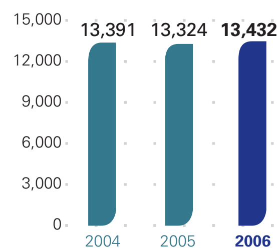


MEITEC REVENUES BY CUSTOMER



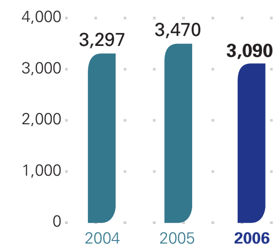
1 Automobile/Transportation 21.9%

NET SALES (Millions of Yen)



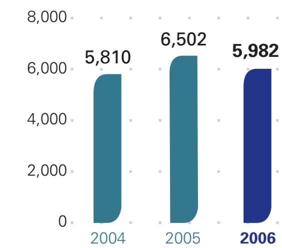
2 Aircraft/Aerospace 5.0%

NET SALES (Millions of Yen)



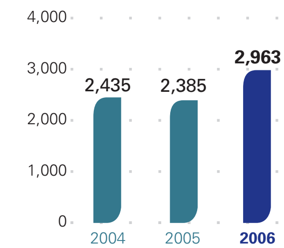
3 Industrial Machinery 9.7%

NET SALES (Millions of Yen)



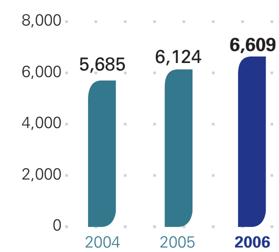
4 Precision Equipment 4.8%

NET SALES (Millions of Yen)



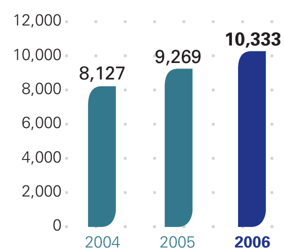
5 IT-Related Hardware and Devices 10.8%

NET SALES (Millions of Yen)



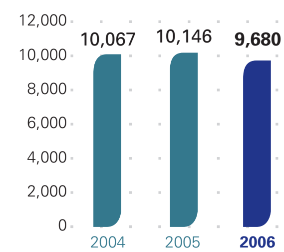
6 Electric and Electronics 16.8%

NET SALES (Millions of Yen)



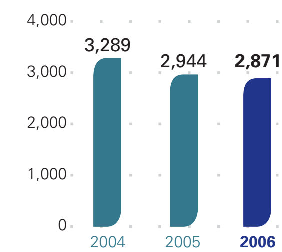
7 Semiconductors and Integrated Circuit Design 15.8%

NET SALES (Millions of Yen)



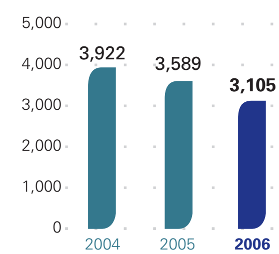
8 Semiconductor Equipment and Devices 4.7%

NET SALES (Millions of Yen)



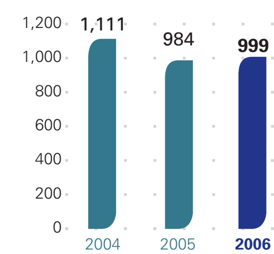
9 Information Processing Software 5.1%

NET SALES (Millions of Yen)



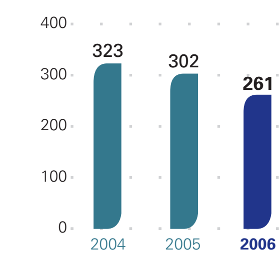
10 Plant 1.6%

NET SALES (Millions of Yen)



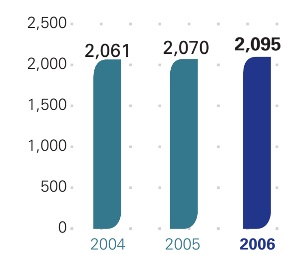
11 Construction 0.4%

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 the 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 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 fiscal year ended March 31, 2001. Additionally, it has been decided that, from the interim period currently under review, the dividend payout ratio shall be equivalent to 50% or more of consolidated net income, unless there lies a need for large-scale capital for investment in the successive half-year period.

Furthermore, we are linking the retirement of treasury stock with Group cash management as a means of improving capital efficiency. Specifically, we have defined the Group's working capital requirements as equivalent to two months' consolidated net sales. When the end of fiscal-year cash position exceeds this benchmark level, the cash excess (the amount in excess of two months' Group net sales) becomes the planned amount of treasury stock acquisition and retirement during the following fiscal year. Where there is no pending investment requiring large-scale funds in the following fiscal half-year, the retirement of treasury stock will be carried out at the rate of 50% of the planned annual amount per half-year. Bonuses for directors will be set at 2% of consolidated net income. We have granted stock options on seven occasions in the past as an incentive to improve performance. The Company decided to stop offering new stock option rights as incentives and changed to a system of performance-linked bonuses for the reasons listed below.

1) A performance-linked bonus system had been introduced as a more effective incentive system for improved performance for directors and employees.
2) The proportion of dormant stock options was high, and it was not functioning effectively as an incentive system.
3) The new procedure for reporting stock options as expenses from March 2007 is expected to have a direct influence on the Company's performance.

Internal reserves serve not only to strengthen the Company's financial position, but also 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%. And Meitec's Global Vision 21 consolidated management plan, which was implemented in fiscal 2005, will establish a goal for ROE of 15%.

Global Vision 21: The Meitec Group Management Plan

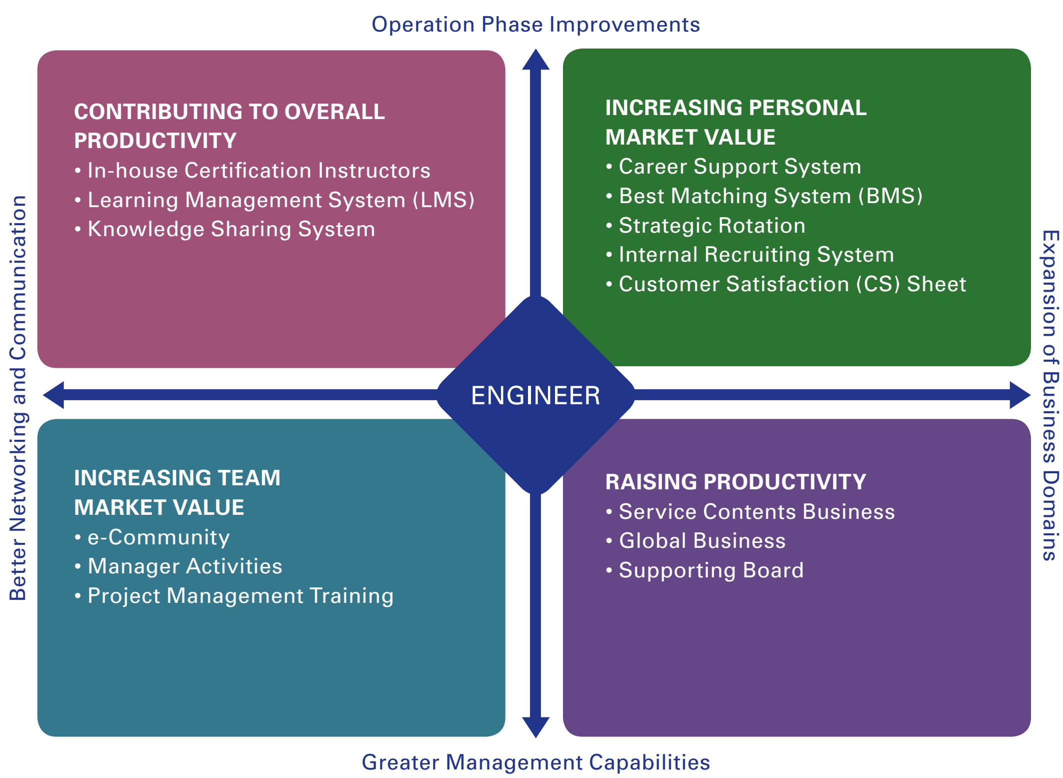
The Meitec Group has established Global Vision 21, its business plan covering the period from March 2004 through March 2008 (April 1, 2003 to March 31, 2008). The aim of the plan is to focus on the core business of engineer staffing, and increase the value of the entire Group by expanding its business domain through close cooperation between Group companies.

THE 14 STRATEGIC TOOLS

Meitec, through its business plan Global Vision 21, is enhancing its internal systems and training programs to refine and expand the range of skills of its engineers, in the belief that increasing the market value of engineers is linked directly to greater corporate value. The "14 Strategic Tools" are strategically employed by engineers to enhance their skills.

The 14 Strategic Tools constitute the most widely used training curriculums and business systems in the staffing industry to enhance engineering skills. These include the Career Support System, which provides a training curriculum to expand an engineer's fields of expertise, and the Best Matching System, which compares a client's requirements with a database containing the career histories of engineers to provide an optimal match. This framework, which increases satisfaction on the part of both the client and the engineers, is one of the major features setting Meitec apart from the competition.

THE 14 STRATEGIC TOOLS

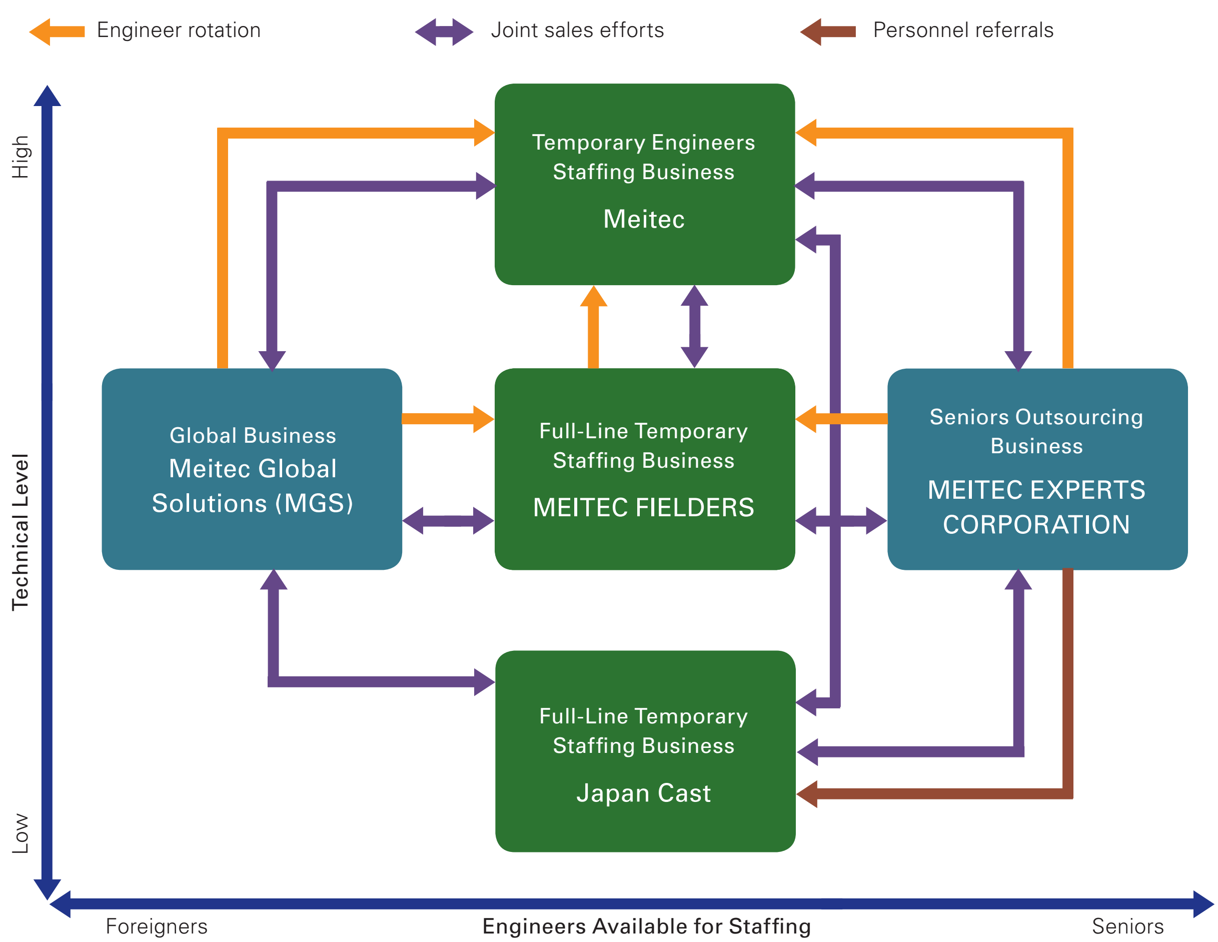


THEME FOR FISCAL 2007: "BROADBANDIZATION" OF THE STAFFING BUSINESS

The Meitec Group has sought to increase the corporate value of the entire Group since the launch of its five-year management plan in the fiscal year ended March 31, 2004, mainly by providing a full lineup of services in the staffing business, establishment of a system that would allow engineers to increase their market value on their own, and global development in China and other areas. In the fourth year of the plan, we are striking out in a new direction to further strengthen our foundation for growth, the "broadbandization" of the staffing business.

Until now, the Meitec Group has focused on providing a full lineup of services to fill a wide range of client needs, from low-end to high-end services, through its main brands: Meitec, MEITEC FIELDERS, and Japan Cast. The "broadbandization" of staffing is an initiative to expand our business domains across the operational phase, and widen our scope of human resources to include foreigners and seniors.

"BROADBANDIZATION" OF THE STAFFING BUSINESS



MEASURES TO REALIZE "BROADBANDIZATION" IN THE STAFFING BUSINESS

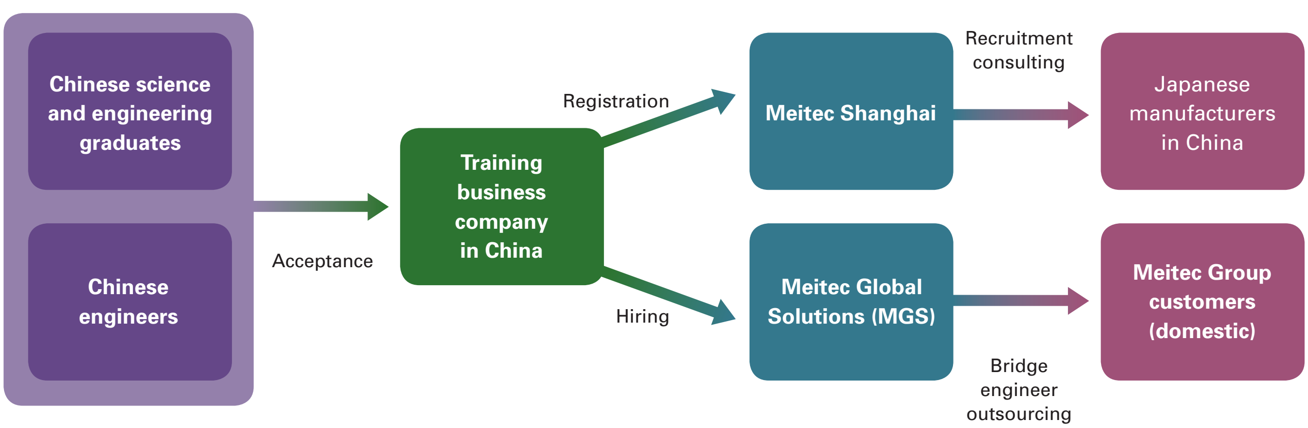
Development of the Chinese Engineer Staffing Business (Meitec Global Solutions)

Meitec Global Solutions (MGS) has been providing engineers trained at its facility in China to the Chinese subsidiaries of Japanese corporations since the fiscal year ended March 31, 2006, and has launched a "bridge engineer" business to dispatch Chinese engineers to development sites in Japan.

Many Japanese companies are now actively transferring operations to development sites in China. There have been many stumbling blocks, however, such as differences in approach to work and rapid job turnover, and it is extremely difficult for companies to retain talented people on their own. MGS provides a solution to companies facing such problems by referring engineers trained at its teaching facility in China. In addition, as a part of the Meitec Group's strategy to boost the number of personnel, MGS hires Chinese engineers and dispatches them to the development sites of its clients in Japan as a "bridge engineer" business. This scheme aims to increase satisfaction of client companies, while advancing the careers of Chinese engineers.

During the fiscal year ending March 31, 2007, we plan to establish a training facility in inland China in tandem with the advance of facility construction by the manufacturing industry, with an eye toward expansion into other areas of Asia.

START OF BRIDGE ENGINEER OUTSOURCING

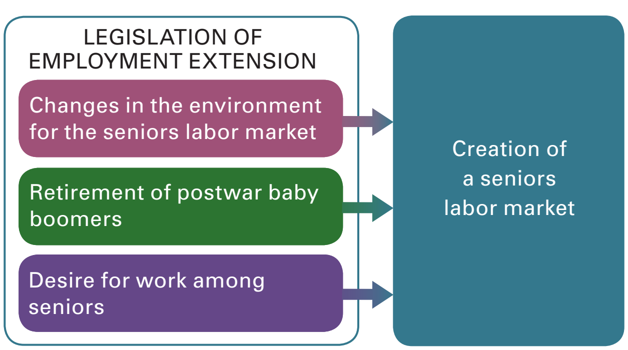


A New Venture for Meitec: The Seniors Staffing Business

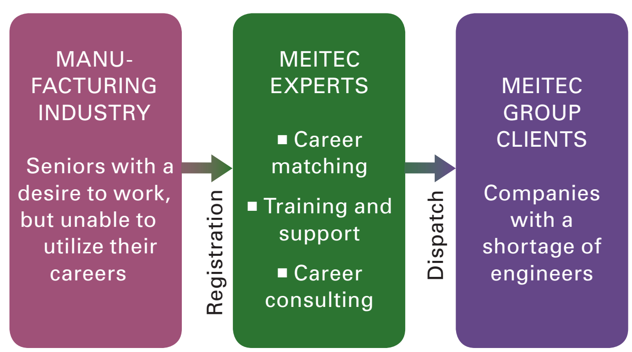
One of Meitec's new ventures to promote "broadbandization" of the staffing business is the development of a staffing business for seniors, handled by a new company, MEITEC EXPERTS.

The ongoing decline in the birthrate and aging of society has led to concerns over a decline in the population of younger workers, and focus is turning to the postwar baby-boomer generation, as a means of complementing the workforce once the boomers begin retiring en masse from 2007. MEITEC EXPERTS utilizes the strengths of the Meitec Group—the career matching, training and support capabilities of Meitec, and the career consultation services of DBM-J—to provide employment opportunities to seniors who have a desire to work but no place to utilize their talents. It is also working to create a labor market for seniors by addressing the problem faced by many companies of passing on technical skills to the next generation. By dispatching individuals to a field in which they can fully utilize the career experience that they have built up over many years, we seek to increase satisfaction of both the client companies and those returning to employment.

THE SENIORS LABOR MARKET TO GAIN MOMENTUM FROM 2006



THE MEITEC GROUP'S SENIORS STAFFING BUSINESS



Five-Year Summary

CONSOLIDATED

Performance and Ratios

	Millions of yen, except where noted				
	2006	2005	2004	2003	2002
Net sales	**¥ 83,224**	¥ 79,120	¥ 71,255	¥ 65,737	¥ 64,998
Operating income	**12,485**	12,289	12,267	9,149	10,193
Operating income margin (%)	**15.0**	15.5	17.2	13.9	15.7
Net income	**5,302**	4,708	6,709	5,472	5,309
Net profit margin (%)	**6.4**	6.0	9.4	8.3	8.2
Return on average equity (%)	**11.1**	10.2	15.2	12.1	11.2

Capital Safety

Total assets	**¥ 67,185**	¥68,675	¥60,882	¥ 59,831	¥ 61,927
Equity ratio (%)	**69.5**	71.7	70.1	75.9	72.5
Ratio of SG&A expenses to net sales (%)	**16.9**	15.6	13.1	12.6	12.9

Per Share Indicators

	Yen				
Net income (basic)	**¥ 138.93**	¥ 126.61	¥ 185.69	¥ 145.2X	¥ 135.5X
Shareholders' equity	**1,274.10**	1,295.04	1,228.41	1,244.9X	1,194.9X
Cash dividends	**90.50**	64.00	78.00	47.50	42.50

NON-CONSOLIDATED

Performance and Ratios

	Millions of yen, except where noted				
	2006	2005	2004	2003	2002
Net sales	**¥ 61,426**	¥ 61,110	¥ 59,519	¥ 55,379	¥ 55,638
Operating income	**11,132**	11,219	10,758	8,027	9,311
Operating income margin (%)	**18.1**	18.4	18.1	14.5	16.7
Net income	**6,820**	6,854	6,044	5,018	4,822
Net profit margin (%)	**11.1**	11.2	10.2	9.1	8.7
Return on average equity (%)	**14.3**	15.6	14.6	11.7	10.4

Capital Safety

Total assets	**¥ 69,727**	¥ 65,501	¥58,994	¥ 58,297	¥ 60,443
Equity ratio (%)	**67.8**	73.8	67.1	73.7	70.8
Ratio of SG&A expenses to net sales (%)	**12.9**	12.8	13.2	12.7	12.9

Per Share Indicators

	Yen				
Net income (basic)	**¥ 179.94**	¥ 185.84	¥ 167.0X	¥ 133.2X	¥ 123.1X
Shareholders' equity	**1,290.7**	1,271.3	1,138.9X	1,177.6X	1,139.8X

Consolidated Financial Review

TOTAL CURRENT ASSETS

Total current assets increased ¥1,018 million (US$8,701 thousand), as strong business performance resulted in an increase in cash and cash equivalents of ¥414 million (US$3,538 thousand).

PROPERTY AND EQUIPMENT

Net property and equipment declined ¥895 million (US$7,650 thousand). This was due mainly to accumulated depreciation, impairment on goodwill in Novations Group, Inc. due to the sale of a portion of that company's business and other factors, and impairment on shares of Gondola Holdings, Inc., the holding company of Drake Beam Morin, Inc. (United States) which holds Drake Beam Morin-Japan, Inc. (DBM-J).

TOTAL LIABILITIES

Total liabilities rose ¥939 million (US$8,026 thousand), due mainly to increases in income taxes payable of ¥1,635 million (US$13,974 thousand) and liability for retirement benefits of ¥779 million (US$6,658 thousand).

SHAREHOLDERS' EQUITY

Shareholders' equity amounted to ¥46,668 million (US$398,873 thousand). Factors with a positive impact included an increase in net income of ¥594 million (US$5,077 thousand). Factors with a negative impact on shareholders' equity included a decline in retained earnings of ¥3,383 million (US$28,915 thousand) resulting from appropriation of earnings of ¥2,946 million (US$25,179 thousand) and retirement of treasury stock of ¥5,732 million (US$48,988 thousand), together with a decline in treasury stock of ¥683 million (US$5,838 thousand) resulting from purchases of the Company's stock for retirement of shares, and the retirement of shares.

NET SALES

An expansion of business content accomplished through joint marketing efforts of Group companies, primarily in the mainstay temporary engineers staffing business, resulted in record-high net sales.

CASH FLOWS

Cash provided by operating activities increased by ¥4,177 million (US$35,701 thousand), while cash used in financing activities increased by ¥2,925 million (US$25,000 thousand) to ¥8,134 million (US$69,520 thousand) compared to the previous fiscal year, due mainly to the acquisition of treasury stock. As a result, cash and cash equivalents at the end of the fiscal period under review increased by ¥414 million (US$3,541 thousand), to ¥17,275 million (US$147,653 thousand).

Consolidated Balance Sheets

MEITEC CORPORATION and Subsidiaries
March 31, 2006 and 2005

ASSETS	Millions of Yen 2006	Millions of Yen 2005	Thousands of U.S. Dollars (Note 1) 2006
CURRENT ASSETS:			
Cash and cash equivalents	¥ 17,275	¥ 16,861	$ 147,653
Short-term investments (Note 3)	4,131	3,441	35,306
Notes and accounts receivable:			
Trade notes and accounts	13,356	13,228	114,152
Allowance for doubtful accounts	(30)	(117)	(253)
Inventories (Note 4)	803	1,036	6,865
Deferred tax assets (Note 10)	2,603	2,574	22,251
Prepaid expenses and other	989	1,086	8,444
Total current assets	39,127	38,109	334,418
PROPERTY AND EQUIPMENT:			
Land	3,909	3,906	33,407
Buildings and structures	21,387	21,534	182,797
Machinery and equipment	300	184	2,563
Furniture and fixtures	3,278	3,821	28,018
Total	28,874	29,445	246,785
Accumulated depreciation	(13,659)	(13,335)	(116,741)
Net property and equipment	15,215	16,110	130,044
INVESTMENTS AND OTHER ASSETS:			
Investment securities (Note 3)	1,614	2,612	13,793
Investments in associated companies	20	31	172
Consolidation goodwill	5,110	5,206	43,678
Goodwill	1,119	1,856	9,567
Leasehold deposits	1,217	1,244	10,400
Deferred tax assets (Note 10)	2,242	1,954	19,161
Deferred tax asset for land revaluation (Note 2.g)	630	630	5,381
Other	891	923	7,619
Total investments and other assets	12,843	14,456	109,771
TOTAL	¥ 67,185	¥ 68,675	$ 574,233

See notes to consolidated financial statements.

LIABILITIES AND SHAREHOLDERS' EQUITY	Millions of Yen 2006	Millions of Yen 2005	Thousands of U.S. Dollars (Note 1) 2006
CURRENT LIABILITIES:			
Accounts payable	¥ 53		$ 450
Income taxes payable	3,500	¥ 1,865	29,918
Accrued expenses	7,924	7,852	67,723
Allowance for loss on foreign operations		95	
Other	3,344	4,865	28,586
Total current liabilities	14,821	14,677	126,677
LONG-TERM LIABILITIES:			
Liability for retirement benefits (Note 6)	5,430	4,651	46,410
Other	74	58	636
Total long-term liabilities	5,504	4,709	47,046
MINORITY INTERESTS	192	71	1,637
SHAREHOLDERS' EQUITY (Note 7):			
Common stock—authorized, 142,854 thousand shares in 2006 and 144,417 thousand shares in 2005; issued, 36,842 thousand shares in 2006 and 38,404 thousand shares in 2005	16,826	16,826	143,811
Capital surplus	15,481	15,481	132,313
Retained earnings	16,228	19,611	138,697
Land revaluation difference	(944)	(944)	(8,072)
Unrealized gain on available-for-sale securities	286	159	2,453
Foreign currency translation adjustments	(11)	(34)	(92)
Treasury stock—at cost, 306 thousand shares in 2006 and 478 thousand shares in 2005	(1,198)	(1,881)	(10,237)
Total shareholders' equity	46,668	49,218	398,873
TOTAL	¥ 67,185	¥ 68,675	$ 574,233

Consolidated Statements of Income

MEITEC CORPORATION and Subsidiaries
Years Ended March 31, 2006 and 2005

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2006	2005	2006
NET SALES	¥ 83,224	¥ 79,120	$ 711,313
COST OF SALES	56,685	54,460	484,488
Gross profit	26,539	24,660	226,825
SELLING, GENERAL AND ADMINISTRATIVE EXPENSES	14,054	12,371	120,115
Operating income	12,485	12,289	106,710
OTHER INCOME (EXPENSES):			
Interest and dividend income	46	35	397
Interest expense	(3)		(24)
Loss on sales and disposals of property and equipment—net	(192)	(638)	(1,644)
Gain on sales of marketable and investment securities—net	56	12	477
Gain on sales of investment in a subsidiary		106	
Reversal of provision for loss on foreign operations	101		861
Loss on impairment of investment securities	(1,128)	(16)	(9,641)
Equity in losses of associated companies	(15)	(114)	(130)
Loss on write-down of goodwill (Note 9)	(887)	(875)	(7,577)
Gain (loss) on liquidation of foreign operations (Note 9)	327	(771)	2,792
Provision for loss on foreign operations		(99)	
Other—net	76	(28)	652
Other expenses—net	(1,619)	(2,388)	(13,837)
INCOME BEFORE INCOME TAXES AND MINORITY INTERESTS	10,866	9,901	92,873
INCOME TAXES (Note 10):			
Current	5,985	4,788	51,148
Deferred	(400)	397	(3,417)
Total income taxes	5,585	5,185	47,731
MINORITY INTERESTS IN NET INCOME	21	(8)	176
NET INCOME	¥ 5,302	¥ 4,708	$ 45,318

	Yen		U.S. Dollars
	2006	2005	2006
PER SHARE OF COMMON STOCK (Notes 2.q and 13):			
Basic net income	¥ 138.93	¥ 126.61	$ 1.19
Diluted net income	138.91	126.37	1.19
Cash dividends applicable to the year	90.50	64.00	0.77

See notes to consolidated financial statements.

Consolidated Statements of Shareholders' Equity

MEITEC CORPORATION and Subsidiaries
Years Ended March 31, 2006 and 2005

	Thousands	Millions of Yen						
	Outstanding Number of Shares of Common Stock	Common Stock	Capital Surplus	Retained Earnings	Land Revaluation Difference	Unrealized Gain on Available-for-sale Securities	Foreign Currency Translation Adjustments	Treasury Stock at Cost
BALANCE, APRIL 1, 2004	34,637	¥ 16,826	¥ 8,664	¥ 20,880	¥ (944)	¥ 118	¥ (5)	¥ (2,853)
Net income				4,708				
Cash dividends, ¥81.0 per share				(2,808)				
Bonuses to directors				(139)				
Purchase of treasury stock	(594)							(2,318)
Disposal of treasury stock	83							291
Loss on disposal of treasury stock			(3)	(31)				
Retirement of treasury stock				(2,999)				2,999
Shares issued in exchange for the common stock of Drake Beam Morin-Japan, Inc.	3,800		6,820					
Net change in unrealized gain on available-for-sale securities						41		
Net change in foreign currency translation adjustments							(29)	
BALANCE, MARCH 31, 2005	37,926	16,826	15,481	19,611	(944)	159	(34)	(1,881)
Net income				5,302				
Cash dividends, ¥76.0 per share				(2,844)				
Bonuses to directors				(102)				
Purchase of treasury stock	(1,408)							(5,112)
Disposal of treasury stock	18							63
Loss on disposal of treasury stock				(7)				
Retirement of treasury stock				(5,732)				5,732
Net change in unrealized gain on available-for-sale securities						127		
Net change in foreign currency translation adjustments							23	
BALANCE, MARCH 31, 2006	36,536	¥ 16,826	¥ 15,481	¥ 16,228	¥ (944)	¥ 286	¥ (11)	¥ (1,198)

	Thousands of U.S. Dollars (Note 1)						
	Common Stock	Capital Surplus	Retained Earnings	Land Revaluation Difference	Unrealized Gain on Available-for-sale Securities	Foreign Currency Translation Adjustments	Treasury Stock at Cost
BALANCE, MARCH 31, 2005	$ 143,811	$ 132,313	$ 167,613	$ (8,072)	$ 1,371	$ (294)	$ (16,076)
Net income			45,318				
Cash dividends, $0.65 per share			(24,305)				
Bonuses to directors			(876)				
Purchase of treasury stock							(43,692)
Disposal of treasury stock							543
Loss on disposal of treasury stock			(66)				
Retirement of treasury stock			(48,987)				48,988
Net change in unrealized gain on available-for-sale securities					1,082		
Net change in foreign currency translation adjustments						202	
BALANCE, MARCH 31, 2006	$ 143,811	$ 132,313	$ 138,697	$ (8,072)	$ 2,453	$ (92)	$ (10,237)

See notes to consolidated financial statements.

Consolidated Statements of Cash Flows

MEITEC CORPORATION and Subsidiaries
Years Ended March 31, 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	¥ 10,866	¥ 9,901	$ 92,873
Adjustments for:			
Income taxes—paid	(4,284)	(7,333)	(36,619)
Depreciation and amortization	1,193	1,139	10,194
Gain on sales of marketable and investment securities—net	(56)	(12)	(477)
Gain on sales of investment in a subsidiary		(106)	
Equity in losses of associated companies	15	114	130
Loss on sales and disposal of property and equipment—net	166	751	1,416
Loss on write-down of investment securities	1,128	16	9,641
Loss on impairment of goodwill	887	1,264	7,577
Changes in assets and liabilities:			
(Increase) decrease in trade receivables	193	(642)	1,648
Increase in accrued expenses	1	304	12
Decrease in consumption taxes payable	(87)	(287)	(740)
Increase in liability for retirement benefits	728	682	6,220
Other—net	(1,356)	(574)	(11,585)
Total adjustments	(1,472)	(4,684)	(12,583)
Net cash provided by operating activities	9,394	5,217	80,290
INVESTING ACTIVITIES:			
Purchases of short-term investments	(1,601)	(1,352)	(13,683)
Proceeds from sales of short-term investments	829	1,600	7,083
Purchases of investment in subsidiaries (Note 16)	(39)		(337)
Proceeds from sales of investment securities	184	123	1,574
Proceeds from sales of investment in a subsidiary		80	
Purchases of property and equipment	(247)	(304)	(2,114)
Proceeds from sales of property and equipment	3	1,099	28
Purchases of other investments and assets	(409)	(639)	(3,490)
Proceeds from sales of other investment and assets	402	391	3,439
Net cash (used in) provided by investing activities	(878)	998	(7,500)
FINANCING ACTIVITIES:			
Decrease in short-term bank loans—net	(20)		(171)
Repayments of long-term debt	(215)		(1,835)
Acquisition of treasury stock	(5,112)	(2,318)	(43,692)
Dividends paid	(2,843)	(2,807)	(24,299)
Proceeds from sales of treasury stock	56	255	477
Other—net		(339)	
Net cash used in financing activities	(8,134)	(5,209)	(69,520)
	¥ 382	¥ 1,006	$ 3,270
FOREIGN CURRENCY TRANSLATION ADJUSTMENTS ON CASH AND CASH EQUIVALENTS	32	(17)	271
NET INCREASE IN CASH AND CASH EQUIVALENTS	414	989	3,541
CASH AND CASH EQUIVALENTS OF NEWLY CONSOLIDATED SUBSIDIARY		4,646	
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	16,861	11,226	144,112
CASH AND CASH EQUIVALENTS, END OF YEAR	¥ 17,275	¥ 16,861	$ 147,653

See notes to consolidated financial statements.

Notes to Consolidated Financial Statements

MEITEC CORPORATION and Subsidiaries
Years Ended March 31, 2006 and 2005

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, which are different in certain respects as to application and disclosure requirements of International Financial Reporting Standards.

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 that is more familiar to readers outside Japan. In addition, certain reclassifications have been made in the 2005 consolidated financial statements to conform to the classifications used in 2006.

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 ¥117 to $1, the approximate rate of exchange at March 31, 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 consolidated financial statements as of March 31, 2006 include the accounts of the Company and its fourteen (thirteen in 2005) subsidiaries (together, the "Group").

A new subsidiary was included in the scope of consolidation as of September 30, 2005 as a result of the acquisition of 51% interest in the issued shares with voting rights of APOLLO GIKEN CO., LTD. This company also has a foreign subsidiary on September 30, 2005.

Also a new joint venture company in China, Meitec Guangzhou Technocenter Co. Ltd., with 94.9% interest in the issued shares established in December 2005.

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.

One associated (one in 2005) 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.

Inventories of certain consolidated foreign subsidiaries are stated at the lower of cost, determined by the moving-average method, or market.

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 shareholders' equity. There was no effect on the statement of income. 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.

At March 31, 2006, the carrying amount of the land after the one-time revaluation exceeded the market value by ¥1,542 million ($13,185 thousand).

h. ***Goodwill***—Certain consolidated foreign subsidiaries adopted Statement of Financial Accounting Standards No. 142, "Goodwill and Other Intangible Assets" with respect to goodwill recognized by its U.S. subsidiaries. Under the standard, goodwill is required to be tested for impairment at least annually.

i. ***Allowance for Loss on Foreign Operations***—Allowance for loss on foreign operations is stated in amounts considered to be appropriate based on an evaluation of potential losses arising from foreign operations in certain subsidiaries.

j. ***Retirement and Pension Plans***—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.

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

Retirement benefits for directors and corporate auditors are provided in a certain domestic subsidiary at the amount which would be required if all directors and corporate auditors retired at the balance sheet date. The subsidiary terminated its retirement benefits plan for directors and corporate auditors in accordance with a resolution adopted at its shareholders meeting in 2005. The benefits granted prior to the terminated date are included in other current liabilities.

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. ***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.

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

n. ***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.

o. ***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 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 shareholders' equity. Revenue and expense accounts of consolidated foreign subsidiaries are translated into yen at the average exchange rate.

p. ***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.

q. ***Per Share Information—***Basic net income 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 consolidated statements of income are dividends applicable to the respective periods including dividends to be paid after the end of the period.

r. ***New Accounting Pronouncements***

Business combination and business separation

In October 2003, the Business Accounting Council (BAC) issued a Statement of Opinion, "Accounting for Business Combinations," and on December 27, 2005 the Accounting Standards Board of Japan ("ASBJ") issued "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. These specific criteria are as follows: (1) the consideration for the business combination consists solely of common shares with voting rights, (2) the ratio of voting rights of each predecessor shareholder group after the business combination is nearly equal, and (3) there are no other factors that would indicate any control exerted by any shareholder group other than voting rights.

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. Goodwill, including negative goodwill, is to be systematically amortized over 20 years or less, but is also subject to an impairment test.

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 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.

Stock options

On December 27, 2005, the ASBJ issued "Accounting Standard for Stock Options" and related guidance. The new standard and guidance are applicable to stock options newly granted on and after May 1, 2006.

This standard requires companies to recognize compensation expense for employee stock options based on the fair value at the date of grant and over the vesting period as consideration for receiving goods or services. The standard also requires companies to account for stock options granted to non-employees based on the fair value of either the stock option or the goods or services received. In the balance sheet, the stock option is presented as a stock acquisition right as a separate component of shareholders' equity until exercised. The standard covers equity-settled, share-based payment transactions, but does not cover cash-settled, share-based payment transactions. In addition, the standard allows unlisted companies to measure options at their intrinsic value if they cannot reliably estimate fair value.

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.

3. SHORT-TERM INVESTMENTS AND INVESTMENT SECURITIES

Short-term investments and investment securities at March 31, 2006 and 2005 were as follows:

	Millions of Yen 2006	Millions of Yen 2005	Thousands of U.S. Dollars 2006
Short-term investments:			
Time deposits	¥ 2,200	¥ 1,600	$ 18,803
Other	1,931	1,841	16,503
Total	¥ 4,131	¥ 3,441	$ 35,306

	Millions of Yen 2006	Millions of Yen 2005	Thousands of U.S. Dollars 2006
Investment securities:			
Equity securities	¥ 1,036	¥ 1,946	$ 8,858
Debt securities	196	199	1,670
Other	382	467	3,265
Total	¥ 1,614	¥ 2,612	$ 13,793

Information regarding each category of securities classified as available-for-sale at March 31, 2006 and 2005 was as follows:

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

	Thousands of U.S. Dollars			
	Cost	Unrealized Gains	Unrealized Losses	Fair Value
Available-for-sale:				
Equity securities	$ 3,876	$ 4,414	$ (1)	$ 8,289
Debt securities	1,701		(31)	1,670

March 31, 2005

	Millions of Yen			
	Cost	Unrealized Gains	Unrealized Losses	Fair Value
Available-for-sale:				
Equity securities	¥ 466	¥ 273	¥ (2)	¥ 737
Debt securities	199			199
Other	1,849	4	(12)	1,841

Available-for-sale securities whose fair value is not readily determinable at March 31, 2006 and 2005 were as follows:

	Carrying Amount		
	Millions of Yen		Thousands of U.S. Dollars
	2006	2005	2006
Equity securities	¥ 67	¥ 1,209	$ 569
Other	382	466	3,265
Total	¥ 449	¥ 1,675	$ 3,834

Proceeds from sales of available-for-sale securities for the years ended March 31, 2006 and 2005 were ¥184 million ($1,574 thousand) and ¥523 million, respectively. Gross realized gains and losses on these sales, were ¥56 million ($477 thousand) and nil, respectively, for the year ended March 31, 2006 and ¥12 million and nil, respectively, for the year ended March 31, 2005.

Contractual maturities for securities classified as available-for-sale at March 31, 2006 and 2005 were as follows:

	Millions of Yen	
	2006	2005
	Available-for-sale	Available-for-sale
Due after one year through five years	¥ 1,100	¥ 1,200
Due after five years through ten years	300	200
Total	¥ 1,400	¥ 1,400

	Thousands of U.S. Dollars
	2006
	Available-for-sale
Due after one year through five years	$ 9,402
Due after five years through ten years	2,564
Total	$ 11,966

4. INVENTORIES

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

5. LONG-TERM DEBT

At March 31, 2006 and 2005, the Company had loan commitments from six banks and seven banks, respectively, and two insurance companies in an aggregate amount of ¥6,000 million ($51,282 thousand). There were no loans utilized and outstanding under these arrangements at March 31, 2006 and 2005.

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, 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, 2006 and 2005 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2006	2005	2006
Projected benefit obligation	¥ 12,112	¥ 11,004	$ 103,518
Fair value of plan assets	(4,376)	(4,018)	(37,401)
Unrecognized actuarial loss	(2,326)	(2,412)	(19,877)
Unrecognized prior service cost	20	23	170
Liability for retirement benefits	¥ 5,430	¥ 4,597	$ 46,410

The components of net periodic retirement benefit costs for the years ended March 31, 2006 and 2005 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2006	2005	2006
Service cost	¥ 920	¥ 884	$ 7,861
Interest cost	219	200	1,877
Expected return on plan assets	(60)	(56)	(515)
Recognized actuarial loss	395	364	3,375
Amortization of prior service cost	(3)	(3)	(28)
Other	121	73	1,034
Net periodic retirement benefit costs	¥ 1,592	¥ 1,462	$ 13,604

Assumptions used for the years ended March 31, 2006 and 2005 were set forth as follows:

	2006	2005
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. SHAREHOLDERS' 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 payment, the Code imposes certain limitations on the amount of retained earnings available for dividends. The amount of retained earnings available for dividends under the Code was ¥10,447 million ($89,288 thousand) and ¥11,620 million as of March 31, 2006 and 2005, respectively, based on the amount recorded in the parent company's general books of account.

During the year ended March 31, 2006, the Company retired its treasury stock by decreasing retained earnings by ¥5,732 million ($48,987 thousand) and the number of shares authorized and issued by 1,562 thousand shares.

During the year ended March 31, 2005, the Company retired its treasury stock by decreasing retained earnings by ¥2,999 million and the number of shares authorized and issued by 775 thousand shares.

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.

On December 9, 2005, the ASBJ published a new accounting standard for presentation of shareholders' equity. Under this accounting standard, certain items which were previously presented as liabilities are now presented as components of shareholders' equity. Such items include stock acquisition rights, minority interest, and any deferred gain or loss on derivatives accounted for under hedge accounting. This standard is effective for fiscal years ending on or after May 1, 2006.

8. STOCK OPTION PLANS

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 Key employees	128,000	From June 25, 2005 to June 24, 2013	4,166
June 24, 2004	Directors Key employees	111,000	From June 25, 2006 to June 24, 2008	4,370

The stock options outstanding at March 31, 2006 were less than the above granted numbers due to forfeiture of rights.

The balance of treasury stock recorded in shareholders' equity at March 31, 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 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. RESTRUCTURING OF U.S. SUBSIDIARIES

The Group is in process of restructuring Novations Group Inc. and its subsidiaries, U.S. subsidiaries of Drake Beam Morin-Japan, Inc., due to their non-performance business.

The Group recognized gain on liquidation of the discontinuing business of ¥327 million ($2,792 thousand) for the year ended March 31, 2006, because certain income resulting from the restructuring appeared to be clearly recognizable. Also the Group recognized impairment loss of ¥887 million ($7,577 thousand) on goodwill which was recorded by the ongoing business divisions for the year ended March 31, 2006.

The Group recognized impairment loss of ¥875 million on goodwill which was recorded by the ongoing business divisions for the year ended March 31, 2005. The Group also recorded loss on liquidation of the discontinuing business of ¥771 million, for the year ended March 31, 2005.

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, 2006 and 2005.

The tax effects of significant temporary differences which resulted in deferred tax assets and liabilities at March 31, 2006 and 2005 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2006	2005	2006
Deferred tax assets:			
Accrued bonuses	¥ 2,080	¥ 2,128	$ 17,780
Accrued social security on accrued bonuses	231	228	1,979
Retirement benefits	2,174	1,776	18,578
Enterprise taxes payable	251	117	2,150
Impairment loss	49	49	415
Write-down of investment securities	518	67	4,425
Loss on revaluation of memberships	24	46	203
Write-down of goodwill	684	403	5,847
Loss on liquidation of foreign operations		276	
Provision for loss on foreign operations		37	
Other	768	408	6,570
Unrealized loss on available-for-sale securities	10	6	85
Valuation allowance	(1,726)	(873)	(14,753)
Total	5,063	4,668	43,279
Deferred tax liabilities:			
Unrealized gain on available-for-sale securities	218	126	1,867
Prepaid pension cost			
Other		14	
Total	218	140	1,867
Net deferred tax assets	¥ 4,845	¥ 4,528	$ 41,412

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, 2006 and 2005 is as follows:

	2006	2005
Normal effective statutory tax rate	40.0 %	40.0 %
Expenses not deductible for income tax purposes	0.3	0.2
Revenues not recognized for income tax purposes	(1.0)	(0.3)
Per capita tax	1.5	1.7
Valuation allowance	7.9	9.2
Amortization of consolidation goodwill	2.5	0.5
Equity in losses of associated companies	0.0	1.0
Other—net	0.1	0.0
Actual effective tax rate	51.3 %	52.3 %

11. LEASES

The Group leases certain buildings and structures and other assets.

Total rental expenses under the above leases for the years ended March 31, 2006 and 2005 were ¥9 million ($75 thousand) and ¥2 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 March 31, 2006 and 2005 was as follows:

	Millions of Yen						
	2006				2005		
	Buildings and Structures	Furniture and Fixtures	Other	Total	Furniture and Fixtures	Other	Total
Acquisition cost	¥ 16	¥ 6	¥ 64	¥ 86	¥ 5	¥ 4	¥ 9
Accumulated depreciation	2	2	40	44	4	4	8
Net leased property	¥ 14	¥ 4	¥ 24	¥ 42	¥ 1	—	¥ 1

	Thousands of U.S. Dollars			
	2006			
	Buildings and Structures	Furniture and Fixtures	Other	Total
Acquisition cost	$ 132	$ 49	$ 549	$ 730
Accumulated depreciation	15	14	338	367
Net leased property	$ 117	$ 35	$ 211	$ 363

Obligations under finance leases at March 31, 2006 and 2005:

	Millions of Yen		Thousands of U.S. Dollars
	2006	2005	2006
Due within one year	¥ 15	¥ 1	$ 127
Due after one year	27	—	236
Total	¥ 42	¥ 1	$ 363

Depreciation expense, which was not reflected in the accompanying consolidated statements of income computed by the straight-line method, was ¥9 million ($75 thousand) and ¥2 million for the years ended March 31, 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 March 31, 2006, but it had the following derivative contract outstanding at March 31, 2005:

	Millions of Yen		
	2005		
	Contract Amount	Fair Value	Unrealized Gain/Loss
Currency swap—Fixed rate receipt, floating rate payment	¥ 1,791	¥ 207	¥ 207

The currency swap which qualifies for hedge accounting for the year ended March 31, 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 years ended March 31, 2006 and 2005 is as follows:

	Millions of Yen	Thousands of Shares	Yen	U.S. Dollars
Year Ended March 31, 2006	Net Income	Weighted-average Shares	EPS	
Basic EPS—Net income available to common shareholders	¥ 5,184	37,313	¥ 138.93	$ 1.19
Effect of dilutive securities—Warrants		5		
Diluted EPS—Net income for computation	¥ 5,184	37,318	¥ 138.91	$ 1.19
Year Ended March 31, 2005				
Basic EPS—Net income available to common shareholders	¥ 4,605	36,374	¥ 126.61	
Effect of dilutive securities—Warrants		70		
Diluted EPS—Net income for computation	¥ 4,605	36,444	¥ 126.37	

14. SUBSEQUENT EVENT

The following matter was approved at the Company's shareholders meeting held on June 22, 2006.

Appropriations of Retained Earnings

	Millions of Yen	Thousands of U.S. Dollars
Year-end cash dividends, ¥46.5 ($0.39) per share	¥ 1,699	$ 14,521
Bonuses to directors	106	906

15. SEGMENT INFORMATION

The Group operates in the following industries:

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.

Information about industry segments, geographical segments and sales to foreign customers of the Company and subsidiaries for the year ended March 31, 2006, is as follows:

a. *Industry Segments*

(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

(1) Sales and Operating Income (Loss)

	Thousands of U.S. Dollars				
	2006				
	Outsourcing	Training	Outplacement	Eliminations/ Corporate	Consolidated
Sales to customers	$ 653,547	$ 36,044	$ 21,722		$ 711,313
Intersegment sales	137		278	$ (415)	
Total sales	653,684	36,044	22,000	(415)	711,313
Operating expenses	544,610	34,239	23,847	1,907	604,603
Operating income (loss)	$ 109,074	$ 1,805	$ (1,847)	$ (2,322)	$ 106,710

(2) Total Assets, Depreciation and Capital Expenditures

	Thousands of U.S. Dollars				
	2006				
	Outsourcing	Training	Outplacement	Eliminations/ Corporate	Consolidated
Total assets	$ 613,321	$ 22,488	$ 79,038	$ (140,614)	$ 574,233
Depreciation	8,795	520	879		10,194
Capital expenditures	3,174	453	114		3,741

Notes: 1. Corporate operating expenses of ¥272 million ($2,322 thousand) in 2006, which are included in "Eliminations/corporate," consist of amortization of consolidation goodwill.

2. Corporate assets of ¥5,110 million ($43,678 thousand) in 2006, which are included in "Eliminations/corporate," consist of consolidation goodwill.

b. Geographical Segments

	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

	Thousands of U.S. Dollars				
	2006				
	Japan	North America	China	Eliminations/ Corporate	Consolidated
Sales to customers	$ 674,971	$ 36,004	$ 338		$ 711,313
Interarea transfer			225	$ (225)	
Total sales	674,971	36,004	563	(225)	711,313
Operating expenses	567,672	33,940	894	2,097	604,603
Operating income (loss)	$ 107,299	$ 2,064	$ (331)	$ (2,322)	$ 106,710
Total assets	$ 596,179	$ 20,825	$ 3,061	$ (45,832)	$ 574,233

Notes:
1. North America consists of the United States of America and Canada.
2. Corporate operating expenses of ¥272 million ($2,322 thousand) in 2006, which are included in "Eliminations/corporate," consist of amortization of consolidation goodwill.
3. Corporate assets of ¥5,110 million ($43,678 thousand) in 2006, which are included in "Eliminations/corporate," consist of consolidation goodwill.

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

	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%

Thousands of U.S. Dollars		
2006		
North America	China	Total

16. SUPPLEMENTAL CASH FLOW INFORMATION

On September 30, 2005, the Company acquired a share of APOLLO GIKEN CO., LTD., which became a newly consolidated subsidiary. At the time of consolidation, the assets and liabilities and net cash from the purchase of the consolidated subsidiary were as follows:

	Millions of Yen	Thousands of U.S. Dollars
Current assets	¥ 611	$ 5,223
Fixed assets	123	1,054
Consolidation goodwill	175	1,498
Current liabilities	(236)	(2,018)
Long-term liabilities	(219)	(1,872)
Minority interests	(136)	(1,169)
Acquisition costs of newly consolidated subsidiaries	318	2,716
Cash and cash equivalents	(279)	(2,379)
Purchases of investment in subsidiaries	¥ 39	$ 337

* * * * * *

Independent Auditors' Report

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, 2006 and 2005, and the related consolidated statements of income, shareholders' 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, 2006 and 2005, 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.

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.

June 22, 2006

Supplemental Non-Consolidated Balance Sheets

March 31, 2006 and 2005—Unaudited

ASSETS	Millions of Yen 2006	Millions of Yen 2005	Thousands of U.S. Dollars 2006
CURRENT ASSETS:			
Cash and cash equivalents	¥ 15,452	¥ 12,165	$ 132,066
Short-term investments	4,131	3,441	35,306
Notes and accounts receivable:			
Trade notes and accounts	10,334	10,616	88,322
Subsidiaries	22	7	185
Allowance for doubtful accounts	(2)	(2)	(18)
Inventories	49	38	415
Deferred tax assets	2,208	2,098	18,876
Prepaid expenses and other	932	683	7,973
Total current assets	33,126	29,046	283,125
PROPERTY AND EQUIPMENT:			
Land	3,906	3,906	33,387
Buildings and structures	20,916	20,986	178,770
Machinery and equipment	184	184	1,575
Furniture and fixtures	2,655	3,255	22,694
Total	27,661	28,331	236,426
Accumulated depreciation	(12,856)	(12,748)	(109,886)
Net property and equipment	14,805	15,583	126,540
INVESTMENTS AND OTHER ASSETS:			
Investment securities	1,603	1,484	13,701
Investments in subsidiaries and associated companies	15,884	15,395	135,759
Leasehold deposits	803	788	6,859
Deferred tax assets	2,198	1,853	18,786
Deferred tax asset for land revaluation	630	630	5,381
Other	678	722	5,803
Total investments and other assets	21,796	20,872	186,289
TOTAL	¥ 69,727	¥ 65,501	$ 595,954

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 March 31, 2006.

LIABILITIES AND SHAREHOLDERS' EQUITY	Millions of Yen 2006	Millions of Yen 2005	Thousands of U.S. Dollars 2006
CURRENT LIABILITIES:			
Income taxes payable	¥ 3,067	¥ 1,559	$ 26,211
Deposits from subsidiaries	6,780	3,581	57,949
Accrued expenses	6,104	6,153	52,174
Other	1,171	1,323	10,011
Total current liabilities	17,122	12,616	146,345
LONG-TERM LIABILITIES—Liability for retirement benefits	5,342	4,575	45,657
Total long-term liabilities	5,342	4,575	45,657
SHAREHOLDERS' EQUITY:			
Common stock—authorized, 142,854 thousand shares in 2006 and 144,417 thousand shares in 2005; issued, 36,842 thousand shares in 2006 and 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	12,589	14,445	107,597
Land revaluation difference	(944)	(944)	(8,072)
Unrealized gain on available-for-sale securities	306	180	2,620
Treasury stock—at cost, 306 thousand shares in 2006 and 478 thousand shares in 2005	(1,198)	(1,881)	(10,237)
Total shareholders' equity	47,263	48,310	403,952
TOTAL	¥ 69,727	¥ 65,501	$ 595,954

Supplemental Non-Consolidated Statements of Income

Years Ended March 31, 2006 and 2005—Unaudited

	Millions of Yen		Thousands of U.S. Dollars
	2006	2005	2006
NET SALES	¥ 61,426	¥ 61,110	$ 525,008
COST OF SALES	42,381	42,088	362,229
Gross profit	19,045	19,022	162,779
SELLING, GENERAL AND ADMINISTRATIVE EXPENSES	7,913	7,803	67,636
Operating income	11,132	11,219	95,143
OTHER INCOME (EXPENSES):			
Interest and dividends	319	448	2,730
Interest expense	(1)	(1)	(12)
Gain on sales of marketable and investment securities—net	56	12	477
Gain on sales of investment in a subsidiary		280	
Loss on sales and disposals of property and equipment—net	(95)	(531)	(815)
Loss on write-down of investment securities		(16)	
Loss on write-down of investment in a subsidiary	(19)		(161)
Other—net	135	29	1,156
Other income—net	395	221	3,375
INCOME BEFORE INCOME TAXES	11,527	11,440	98,518
INCOME TAXES:			
Current	5,247	4,186	44,841
Deferred	(540)	400	(4,616)
Total income taxes	4,707	4,586	40,225
NET INCOME	¥ 6,820	¥ 6,854	$ 58,293

	Yen		U.S. Dollars
PER SHARE OF COMMON STOCK:			
Basic net income	¥ 179.94	¥ 185.84	$ 1.54
Diluted net income	179.92	185.48	1.54
Cash dividends applicable to the year	90.50	64.00	0.77

Notes:

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 March 31, 2006.

2. The computation of net income 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 was 37,313 thousand shares for 2006 and 36,374 thousand shares for 2005.

Corporate Data *(As of March 31, 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	9,084
Employees (consolidated)	8,083
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 Global Solutions Inc. Three D Tec Inc. Information Management System Co., Ltd. Apollo Giken Co., Ltd. Meitec Shanghai Japan Cast Inc.
	Training Business Novations Group, Inc. (Holding company: Novations Group, Inc.) Novations Group, Inc. (Delaware, U.S.A.) Novations Performance Solutions, Ltd. MEITEC Dalian TechnoCenter Co., Ltd. MEITEC Guangzhou TechnoCenter Co., Ltd. ZHEJIANG MI High Technology Co., Ltd.
	Outplacement Business Drake Beam Morin-Japan, Inc.

Note: Novations Group, Inc. (Holding company) is a holding company for Novations Group, Inc.(Delaware) and Novations Performance Solutions, Ltd.

Executive Officers, Directors and Corporate Auditors	President and Representative Director	Kosuke Nishimoto	
(As of June 22, 2006)	Directors	Kanji Fukuda Toshihiko Murayama	Hideyo Kokubun Hiroshi Yoneda
		Atsuhiko Umeda[1]	
	Corporate Auditors	Yoshinori Takamine Hiroshi Watanabe[2]	Masatoshi Saito[2]
	CEO & COO	Kosuke Nishimoto	
	Executive Officers	Hideyo Kokubun Shigeo Kamezawa Hidenori Nagasaka Satoshi Yanagisawa	Akiyoshi Ogasawara Hideharu Naganuma Kouji Shimomura

Notes: *1. Outside director as provided for in Article 188. 2-7-2 of the Commercial Code of Japan.
*2. External auditors as provided for in Article 18. 1 of the Law Concerning Corporate Auditors.

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 Japan Outsourcing, 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/

Printed on recycled paper
PRINTED IN JAPAN