MEITEC
THE ENGINEERING OUTSOURCING® COMPANY

MEITEC CORPORATION

SEMIANNUAL REPORT 2006

Six months ended September 30, 2005

PROFILE

Following the concept of "Mutual Growth and Prosperity," Meitec Corporation's Engineering Outsourcing (EO) 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 2005 to ensure that it continues to play a vital role as an alternate personnel office and engineering division for the entire manufacturing industry, and contribute to society by utilizing the full potential of engineers, an invaluable management resource.

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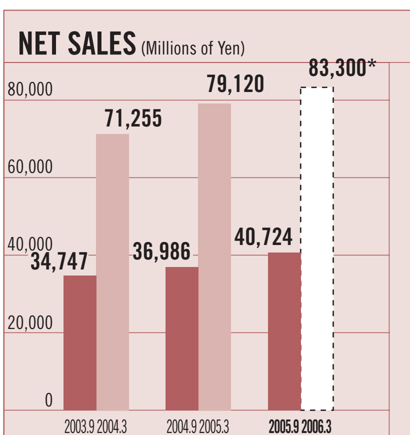
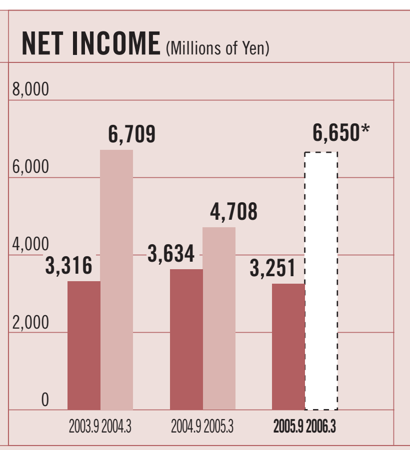
CONSOLIDATED FINANCIAL HIGHLIGHTS

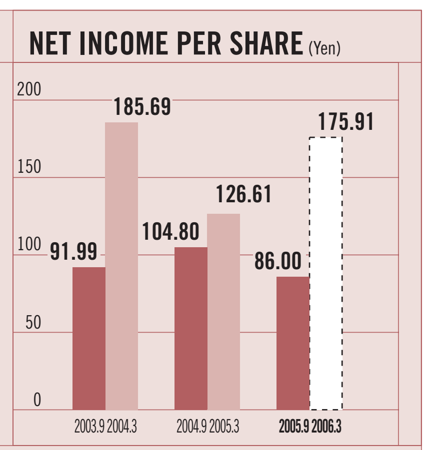
	Millions of Yen			Thousands of U.S. Dollars (Note 1)
	Six Months Ended September 30		Year Ended March 31	Six Months Ended September 30
	2005	2004	**2005**	**2005**
Net Sales	**¥ 40,724**	¥ 36,986	**¥ 79,120**	**$359,781**
Operating Income	**5,935**	6,260	**12,289**	**52,436**
Net Income	**3,251**	3,634	**4,708**	**28,721**
Total Assets	**68,366**	60,434	**68,675**	**603,994**
Total Shareholders' Equity	**48,160**	44,687	**49,218**	**425,477**
	Yen			U.S. Dollars
Per Share of Common Stock:				
Shareholders' Equity	**¥1,299.99**	¥1,287.20	**¥1,295.04**	**$ 11.49**
Cash Dividend	**44.00**	32.00	**64.00**	**0.39**
Net Income (Note 2)	**86.00**	104.80	**126.61**	**0.76**

Notes: 1. U.S. dollar amounts are translated from Japanese yen, for convenience only, at the rate of ¥113.19 to $1, the approximate exchange rate prevailing as of September 30, 2005.

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







*Forecasts are for the period ending March 31, 2006.

I would like to express my sincere appreciation for your continuing support of Meitec Corporation. I am pleased to present our semiannual report for the six-month period ended September 30, 2005.

In the consolidated interim period under review, the domestic economy of Japan was affected by concerns for the steep rise in raw material prices, particularly for crude oil, and the sense of uncertainty surrounding the future of the U.S. and Chinese economies, countries with which Japan's economy is strongly linked. Overall however, there was an underlying tone of recovery continuing from the previous fiscal period. Specifically, in the manufacturing industry that includes Meitec's primary clients, new capital investment is showing expansion in fields ranging from development to manufacturing, demonstrating a trend toward greater medium and long term strategic investment.

In this market environment, Meitec Group undertook expansion of its primary business of temporary engineering staffing business, and accomplished an increase in revenues on a consolidated basis Operating income declined, however, in accordance with forecasts revised in the first quarter of the current fiscal period.

In consolidated net sales, approximately 87% of which are generated by the temporary engineering staffing business, Meitec was roughly on par with sales in the same period of the previous year, while Japan Outsourcing, Inc. experienced a 5.2% gain in revenues. This came about as the result of the Group expanding its market share through the collaboration of marketing operations of Meitec and Japan Outsourcing, Inc. brands. 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 is a result of marketing efforts to diversify net sales among a variety of fields, in order to correct the overdependence on sales expansion in the automobile and semiconductor design fields during recent years. Although the utilization ratio of Meitec exceeded the result of previous interim period, it slightly suffered losses in revenues and earnings due to quantity in utilization falling below previous results. While Japan Outsourcing Inc. achieved increased revenues in order to grow the number of engineers, operating income decreased because of increasing SG&A expenses for expansion of business.

Cooperation between the temporary engineering staffing business and registed-style temporary staffing business company Japan Cast, Inc., as well as cooperation between the Meitec Group and Japan Outsourcing, Inc. in enhancing marketing efforts focused on the manufacturing industry led to the achievement of increases in both sales and profits.

The engineering solutions business primarily serves our clients, the manufacturing industry, with our engineers placed in as key persons to conduct design and development activities such as fabrication of prototype model and printed circuit boards. Engineering solutions companies 3D Tec Inc. and IMS Co., Ltd. each achieved increased revenues and operating income by enhancing marketing efforts and expanding the scope of their services. Apollo Giken Co., Ltd., which is charged with strengthening the printed circuit board business, was newly added to the Meitec Group from October 2005 in a measure to further expand business.

Our global business branch, Meitec Global Solutions, centered on the business in China, entered its third year of operations and attained increased revenues with a rise in business contracts. However, operating income declined because part of the cost for the October 2005 commencement of Chinese engineer training was incurred during the interim period under review.

DBM Japan, which was integrated in October 2004, is our primary outplacement business. The business has been affected by the shrinking outplacement market, and continuing from the previous period suffered losses in revenues and earnings (as a consolidated subsidiary in only the second half of the period under review). On the other hand, bearing fruit from the December 2004 elimination and consolidation of Drake Beam Morin-Japan, Inc.'s U.S. subsidiary Novations Group Inc. and its subsidiary, Novations Performance Solutions, Ltd., the company returned to profitability.

As a result of the foregoing, consolidated net sales increased 10.1% to ¥40,724 million. At the profit and loss level, operating income decreased 5.2% to ¥5,935 million, ordinary income decreased 2.6% to ¥5,996 million, and net income decreased 10.5% to ¥3,251 million. Return on equity (ROE) was down 1.6 percentage points to 6.7% compared with the same period of the previous interim period.

Performance according to business segment was as follows.

Net sales of the outsourcing business reached ¥37,443 million, and operating income was ¥6,173 million. Net sales of the training business reached ¥1,883 million, and operating income was ¥21 million. Net sales of the outplacement business reached ¥1,398 million, and operating loss was ¥126 million. Because business results by segment were not disclosed the previous interim period, comparison on a year-on-year basis has not been carried out.

Performance according to business location was as follows.

Net sales in Japan reached ¥38,833 million, and operating income was ¥6,054 million. Net sales in North-America reached ¥1,883 million, and operating income was ¥21 million. Net sales in China reached ¥8 million, and operating loss was ¥7 million. Because business results by segment were not disclosed the previous interim period, comparison on a year-on-year basis has not been carried out.

Non-consolidated net sales decreased 0.1% to ¥30,366 million. At the profit and loss level, operating income decreased 2.3% to ¥5,378 million, ordinary income decreased 3.7% to ¥5,729 million, and net income decreased 8.6% to ¥3,423 million. Return on equity (ROE) was down 2.0 percentage points to 7.2% compared with the same period of the previous interim period.

Meitec maintains a basic policy of providing returns to shareholders based on its operating performance. And the full-year dividend payout ratio has been set at more than 50% of consolidated net income beginning since this fiscal year.

(Unless there lies a need for large scale capital for investment in the successive half-year period.) Meitec has determined dividends of ¥44 (US$0.39) per share for the fiscal 2006 first half.

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

November 2005

Kosuke Nishimoto
President, CEO & COO

We will expand activities around the periphery of the temporary engineers staffing business as our core domain, specifically in the following four areas: (1) the full-line temporary staffing business; (2) the engineering solutions business; (3) the global business and; (4) the outplacement business. Our strategy is for the entire Group to grow as each Group company makes effective use of its strengths and coordinates efforts. This “gateway strategy” of orchestrating entire Group resources and services is the optimal method to supply the needs of our primary customers in the manufacturing industries.

● **Temporary Engineers Staffing Business**
Temporary engineers staffing business refers to engineering outsourcing that provides design and development in such areas as machinery, electricity, electronics and computer software handled by Meitec.

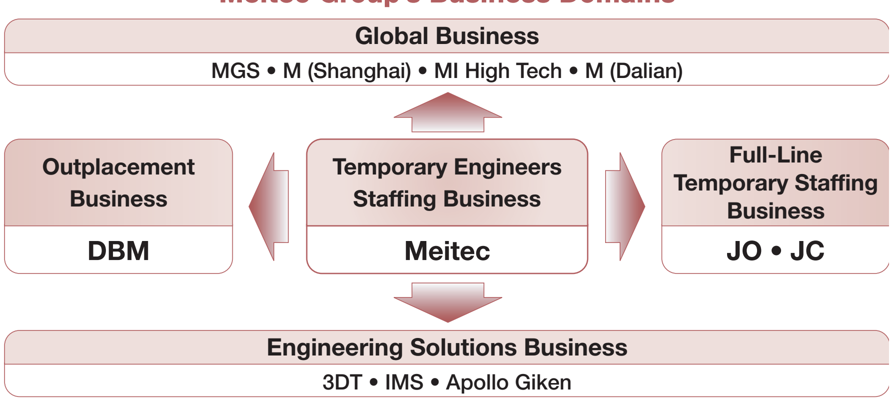
● **Full-Line Temporary Staffing Business**
Full-line temporary staffing business refers to engineering outsourcing in technical fields different from Meitec that are handled by Japan Outsourcing, and registration-style temporary staffing business handled by Japan Cast.

● **Engineering Solutions Business**
Engineering solutions business refers to solution service specializing in three-dimensional computer-aided design (3D CAD) for such objects as experimental molds and dies, and focuses on mount designs for printed circuit boards handled by 3D Tec, IMS and Apollo Giken.

● **Global Business**
Global business refers to international trade in design development technologies and computer software, and training in Chinese engineers handled by MGS, Meitec Shanghai, ZHEJIANG MI High Technology (“MI High Tech”), and MEITEC Dalian TechnoCenter (“Meitec Dalian”).

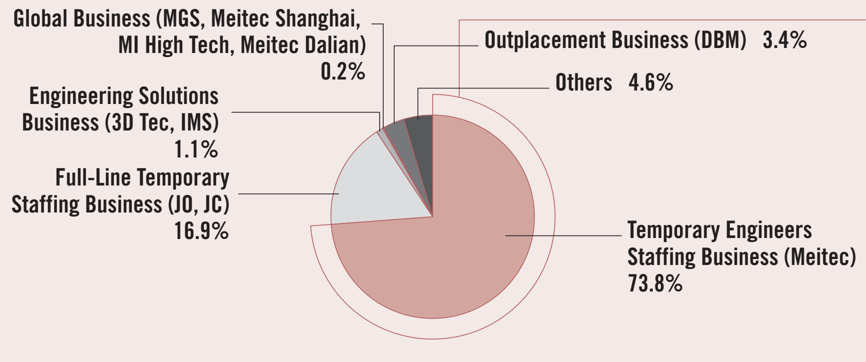
● **Outplacement Business**
Outplacement business refers to outplacement support services to employees leaving client firms under contract with client firms handled by DBM.

Meitec Group’s Business Domains

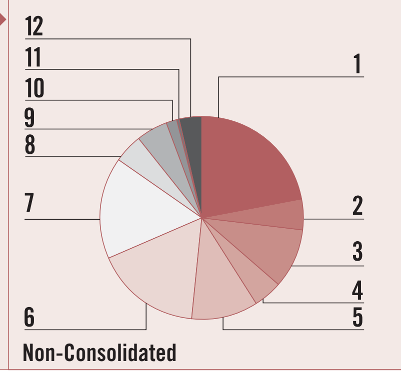


JO = Japan Outsourcing; JC = Japan Cast; 3DT = 3D Tec; IMS = Information Management System; MGS = Meitec Global Solutions; M (Shanghai) = Meitec Shanghai; MI High Tech = ZHEJIANG MI High Technology; M (Dalian) = MEITEC Dalian TechnoCenter; DBM = Drake Beam Morin-Japan

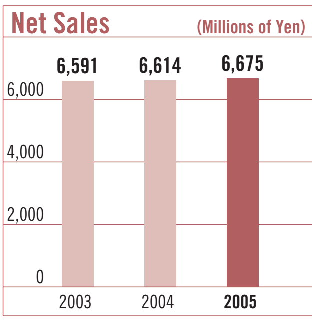
REVENUE BY MEITEC GROUP'S BUSINESS DOMAIN



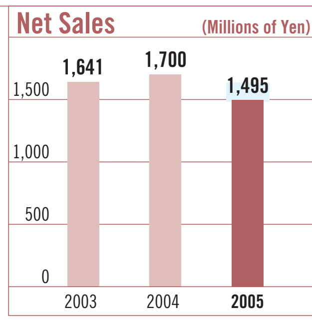
MEITEC REVENUES BY CUSTOMER



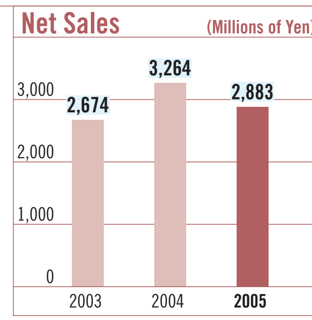
1 AUTOMOBILE/TRANSPORTATION 22.0%



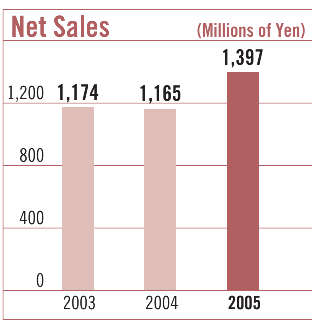
2 AIRCRAFT/AEROSPACE 4.9%



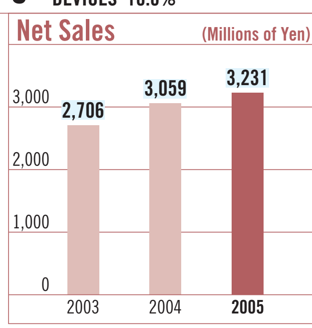
3 INDUSTRIAL MACHINERY 9.5%



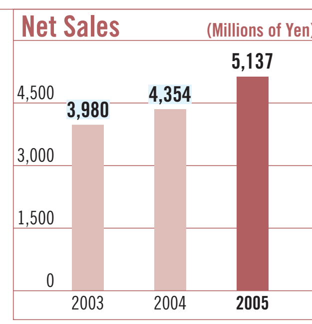
4 PRECISION EQUIPMENT 4.6%



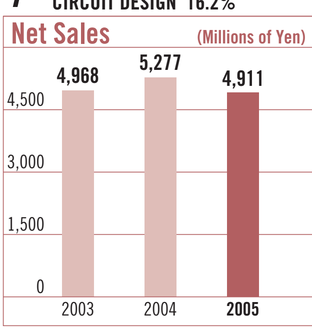
5 IT-RELATED HARDWARE AND DEVICES 10.6%



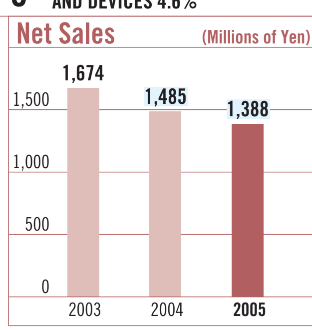
6 ELECTRIC AND ELECTRONICS 16.9%



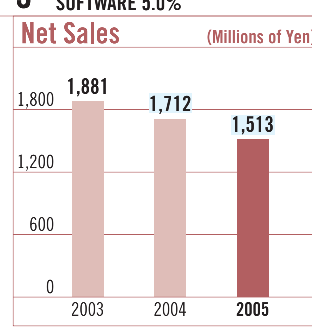
7 SEMICONDUCTORS AND INTEGRATED CIRCUIT DESIGN 16.2%



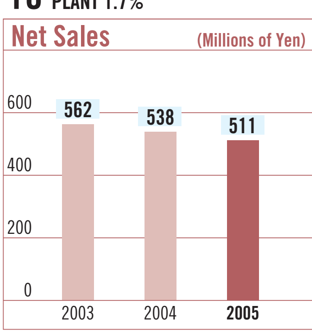
8 SEMICONDUCTOR EQUIPMENT AND DEVICES 4.6%



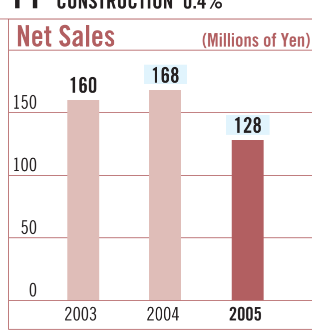
9 INFORMATION PROCESSING/ SOFTWARE 5.0%



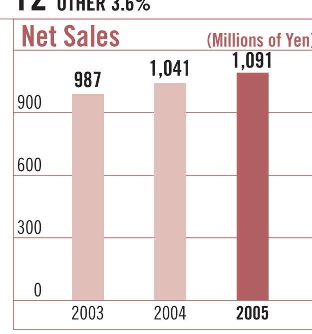
10 PLANT 1.7%



11 CONSTRUCTION 0.4%



12 OTHER 3.6%



SEMI-ANNUAL CONSOLIDATED BALANCE SHEETS <UNAUDITED>

SEPTEMBER 30, 2005 AND 2004

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
ASSETS	**2005**	2004	**2005**
CURRENT ASSETS:			
Cash and cash equivalents	**¥16,311**	¥11,101	**$144,106**
Short-term investments (Note 3)	**3,784**	3,194	**33,434**
Notes and accounts receivable:			
Trade notes and accounts	**13,180**	12,032	**116,439**
Allowance for doubtful accounts	**(45)**	(5)	**(398)**
Inventories (Note 4)	**1,027**	196	**9,073**
Deferred tax assets (Note 10)	**2,603**	2,559	**22,994**
Prepaid expenses and other	**937**	637	**8,280**
Total current assets	**37,797**	29,714	**333,928**
PROPERTY AND EQUIPMENT:			
Land	**3,909**	3,906	**34,532**
Buildings and structures	**21,423**	21,036	**189,267**
Furniture and fixtures	**3,955**	4,345	**34,943**
Other	**391**	184	**3,451**
Total	**29,678**	29,471	**262,193**
Accumulated depreciation	**(13,977)**	(12,468)	**(123,483)**
Net property and equipment	**15,701**	17,003	**138,710**
INVESTMENTS AND OTHER ASSETS:			
Investment securities (Note 3)	**2,823**	875	**24,943**
Investment in associated companies	**26**	7,156	**233**
Consolidation goodwill	**5,249**	—	**46,369**
Goodwill	**1,954**	—	**17,259**
Leasehold deposits	**1,203**	906	**10,628**
Deferred tax assets (Note 10)	**2,127**	2,349	**18,795**
Deferred tax asset for land revaluation (Note 2(g))	**630**	630	**5,562**
Other	**856**	1,801	**7,567**
Total investments and other assets	**14,868**	13,717	**131,356**
TOTAL	**¥68,366**	¥60,434	**$603,994**

See notes to consolidated financial statements.

LIABILITIES AND SHAREHOLDERS' EQUITY	Millions of Yen 2005	Millions of Yen 2004	Thousands of U.S. Dollars (Note 1) 2005
CURRENT LIABILITIES:			
Short-term bank loans (Note 5)	**¥ 20**	—	**$ 177**
Current portion of long-term debt (Note 5)	**101**	—	**891**
Trade accounts payable	**47**	¥ 2	**418**
Income taxes payable	**2,889**	2,726	**25,519**
Accrued expenses	**7,801**	7,312	**68,923**
Allowance for loss on foreign operations	**95**	—	**841**
Other	**3,748**	1,247	**33,116**
Total current liabilities	**14,701**	11,287	**129,885**
LONG-TERM LIABILITIES:			
Long-term debt (Note 5)	**114**	—	**1,006**
Liability for retirement benefits (Note 6)	**5,037**	4,342	**44,499**
Other	**141**	55	**1,247**
Total long-term liabilities	**5,292**	4,397	**46,752**
MINORITY INTERESTS	**213**	63	**1,880**
SHAREHOLDERS' EQUITY (Note 7):			
Common stock:			
Authorized:			
144,417 thousand shares in 2005			
145,192 thousand shares in 2004			
Issued:			
38,404 thousand shares in 2005			
35,380 thousand shares in 2004	**16,826**	16,826	**148,652**
Capital surplus	**15,481**	8,661	**136,766**
Retained earnings	**21,544**	22,647	**190,334**
Land revaluation difference	**(944)**	(944)	**(8,343)**
Unrealized gain on available-for-sale securities	**286**	92	**2,531**
Foreign currency translation adjustments	**(34)**	(20)	**(299)**
Treasury stock—at cost:			
1,358 thousand shares in 2005 and 664 thousand shares in 2004	**(4,999)**	(2,575)	**(44,164)**
Total shareholders' equity	**48,160**	44,687	**425,477**
TOTAL	**¥68,366**	¥60,434	**$603,994**

SEMI-ANNUAL CONSOLIDATED STATEMENTS OF INCOME <UNAUDITED>

SIX MONTHS PERIODS ENDED SEPTEMBER 30, 2005 AND 2004

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2005	2004	**2005**
NET SALES	**¥40,724**	¥36,986	**$359,781**
COST OF SALES	**28,092**	25,939	**248,185**
Gross profit	**12,632**	11,047	**111,596**
SELLING, GENERAL AND ADMINISTRATIVE EXPENSES	**6,697**	4,787	**59,160**
Operating income	**5,935**	6,260	**52,436**
OTHER INCOME (EXPENSES):			
Interest and dividend income	**22**	10	**190**
Foreign exchange gain	**21**	—	**185**
Equity in losses of an associated company	**(7)**	(108)	**(60)**
Gain/(loss) on investments in partnership—net	**25**	(9)	**217**
Gain on sales of marketable and investment securities—net	**—**	8	**—**
Loss on write-down of investment securities	**—**	(15)	**—**
Gain/(loss) on sales and disposals of fixed assets—net	**(64)**	219	**(561)**
Provision for doubtful accounts	**(20)**	—	**(175)**
Gain on liquidation of foreign operations (Note 9)	**65**	—	**570**
Other—net	**1**	(13)	**14**
Other income—net	**43**	92	**380**
INCOME BEFORE INCOME TAXES AND MINORITY INTERESTS	**5,978**	6,352	**52,816**
INCOME TAXES (Note 10):			
Current	**2,985**	2,716	**26,376**
Deferred	**(263)**	(2)	**(2,323)**
Total income taxes	**2,722**	2,714	**24,053**
MINORITY INTERESTS IN NET INCOME	**5**	4	**42**
NET INCOME	**¥ 3,251**	¥ 3,634	**$ 28,721**

	Yen		U.S. Dollars
PER SHARE OF COMMON STOCK (Note 2(q) and 13):			
Basic net income	**¥ 86.00**	¥104.80	**$ 0.76**
Diluted net income	**85.99**	104.65	**0.76**
Cash dividends applicable to the six months	**44.00**	32.00	**0.39**

See notes to consolidated financial statements.

SEMI-ANNUAL CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY <UNAUDITED>

SIX MONTHS PERIODS ENDED SEPTEMBER 30, 2005 AND 2004

	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	—	—	—	3,634	—	—	—	—
Cash dividends, ¥49.0 per share	—	—	—	(1,698)	—	—	—	—
Bonuses to directors and corporate auditors	—	—	—	(138)	—	—	—	—
Repurchase of treasury stock	(1)	—	—	—	—	—	—	(6)
Disposal of treasury stock	80	—	—	—	—	—	—	284
Loss on disposal of treasury stock	—	—	(3)	(31)	—	—	—	—
Net change in unrealized loss on available-for-sale securities	—	—	—	—	—	(26)	—	—
Net change in foreign currency translation adjustments	—	—	—	—	—	—	(15)	—
BALANCE, SEPTEMBER 30, 2004	34,716	¥ 16,826	¥ 8,661	¥ 22,647	¥ (944)	¥ 92	¥ (20)	¥ (2,575)
BALANCE, APRIL 1, 2005	37,926	¥ 16,826	¥15,481	¥ 19,611	¥ (944)	¥ 159	¥ (34)	¥ (1,881)
Net income	—	—	—	3,251	—	—	—	—
Cash dividends, ¥32.0 per share	—	—	—	(1,214)	—	—	—	—
Bonuses to directors	—	—	—	(103)	—	—	—	—
Repurchase of treasury stock	(884)	—	—	—	—	—	—	(3,133)
Disposal of treasury stock	4	—	—	—	—	—	—	15
Loss on disposal of treasury stock	—	—	—	(1)	—	—	—	—
Net change in unrealized gain on available-for-sale securities	—	—	—	—	—	127	—	—
Net change in foreign currency translation adjustments	—	—	—	—	—	—	—	—
BALANCE, SEPTEMBER 30, 2005	**37,046**	**¥16,826**	**¥15,481**	**¥21,544**	**¥ (944)**	**¥286**	**¥(34)**	**¥(4,999)**

	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, APRIL 1, 2005	$ 148,652	$136,766	$ 173,255	$ (8,343)	$ 1,417	$ (304)	$ (16,617)
Net income	—	—	28,721	—	—	—	—
Cash dividends, $0.28 per share	—	—	(10,722)	—	—	—	—
Bonuses to directors	—	—	(906)	—	—	—	—
Repurchase of treasury stock	—	—	—	—	—	—	(27,676)
Disposal of treasury stock	—	—	—	—	—	—	129
Loss on disposal of treasury stock	—	—	(14)	—	—	—	—
Net change in unrealized gain on available-for-sale securities	—	—	—	—	1,114	—	—
Net change in foreign currency translation adjustments	—	—	—	—	—	5	—
BALANCE, SEPTEMBER 30, 2005	**$148,652**	**$136,766**	**$190,334**	**$(8,343)**	**$2,531**	**$(299)**	**$(44,164)**

See notes to consolidated financial statements.

SEMI-ANNUAL CONSOLIDATED STATEMENTS OF CASH FLOWS <UNAUDITED>

SIX MONTHS PERIODS ENDED SEPTEMBER 30, 2005 AND 2004

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2005	2004	**2005**
OPERATING ACTIVITIES:			
Income before income taxes and minority interests	**¥ 5,978**	¥ 6,352	**$ 52,816**
Adjustments for:			
Income taxes—paid	**(1,905)**	(4,323)	**(16,827)**
Depreciation and amortization	**587**	508	**5,183**
Amortization of consolidation goodwill	**133**	—	**1,179**
Equity in losses of associated companies	**7**	108	**60**
Loss on sales and disposals of fixed assets—net	**51**	(219)	**450**
(Gain)/loss on investments in partnership—net	**(25)**	9	**(217)**
Changes in assets and liabilities:			
(Increase)/decrease in trade receivables	**315**	(563)	**2,781**
(Increase)/decrease in inventories	**97**	(131)	**861**
Increase/(decrease) in accrued expenses	**(95)**	77	**(836)**
Decrease in consumption taxes payable	**(117)**	(364)	**(1,031)**
Increase in liability for retirement benefits	**326**	372	**2,884**
Decrease in other current liabilities	**(1,001)**	(346)	**(8,848)**
Other—net	**(90)**	110	**(806)**
Total adjustments	**(1,717)**	(4,762)	**(15,167)**
Net cash provided by operating activities	**4,261**	1,590	**37,649**
INVESTING ACTIVITIES:			
Purchases of short-term investments	**(700)**	(801)	**(6,184)**
Proceeds from sales of short-term investments	**400**	1,200	**3,534**
Purchases of investment in subsidiaries	**(39)**	—	**(348)**
Purchases of property and equipment	**(165)**	(155)	**(1,457)**
Proceeds from sales of property and equipment	**—**	296	**1**
Purchases of other investment and assets	**(135)**	(517)	**(1,189)**
Proceeds from sales of other investment and assets	**138**	48	**1,221**
Other—net	**—**	5	**—**
Net cash provided by (used in) investing activities	**(501)**	76	**(4,422)**
FINANCING ACTIVITIES:			
Acquisition of treasury stock	**(3,133)**	(6)	**(27,676)**
Proceeds from sales of treasury stock	**14**	249	**113**
Dividends paid	**(1,214)**	(1,696)	**(10,722)**
Other—net	**—**	(339)	**—**
Net cash used in financing activities	**(4,333)**	(1,792)	**(38,285)**
FOREIGN CURRENCY TRANSLATION ADJUSTMENTS ON CASH AND CASH EQUIVALENTS	**23**	1	**202**
NET DECREASE IN CASH AND CASH EQUIVALENTS	**(550)**	(125)	**(4,856)**
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	**16,861**	11,226	**148,962**
CASH AND CASH EQUIVALENTS, END OF YEAR	**¥16,311**	¥11,101	**$144,106**

See notes to consolidated financial statements.

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.

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 2004 semi-annual consolidated financial statements to conform to the classifications used in 2005.

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 ¥113 to $1, the approximate rate of exchange at September 30, 2005. 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, 2005 include the accounts of the Company and its thirteen (seven in 2004) subsidiaries (together, the “Group”).

The two subsidiaries were newly included in the scope of consolidation on September 30, 2005 as a result of the acquisition of 51% interest in the issued shares with voting rights of APOLLO GIKEN CO., LTD., that has a foreign subsidiary, on September 30, 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.

Investment in one (seven in 2004) associated company is accounted for by the equity method.

The excess of the cost of an acquisition over the fair value of the net assets of the acquired subsidiary at the date of acquisition is being amortized 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

In August 2002, the Business Accounting Council issued a Statement of Opinion, *Accounting for Impairment of Fixed Assets*, and in October 2003 the Accounting Standards Board of Japan (ASB) issued ASB Guidance No.6, *Guidance for Accounting Standard for Impairment of Fixed Assets*. These new pronouncements are effective for fiscal years beginning on or after April 1, 2005 with early adoption permitted for fiscal years ending on or after March 31, 2004.

The Company adopted the new accounting standard for impairment of fixed assets from the year ended March 31, 2004.

The Company 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 September 30, 2005, the carrying amount of the land after the one-time revaluation exceeded the market value by ¥1,543 million ($13,629 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 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.

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 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 shareholders’ equity. Revenue and expense accounts of consolidated foreign subsidiaries are translated into Japanese 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 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, 2005 and 2004 consisted of as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2005	2004	**2005**
Short-term investments:			
Time deposits	**¥2,012**	¥1,500	**$17,775**
Other	**1,772**	1,694	**15,659**
Total	**¥3,784**	¥3,194	**$33,434**
Investment securities:			
Equity securities	**¥2,159**	¥ 678	**$19,071**
Debt securities	**198**	197	**1,752**
Other	**466**	—	**4,120**
Total	**¥2,823**	¥ 875	**$24,943**

Information regarding each category of securities classified as available-for-sale at September 30, 2005 and 2004 was as follows:

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**

	Thousands of U.S. Dollars			
	Cost	Unrealized Gains	Unrealized Losses	Fair Value
Available-for-sale:				
Equity securities	**$ 4,128**	**$3,774**	**$ (50)**	**$ 7,852**
Debt securities	**1,759**	**—**	**(7)**	**1,752**
Other	**15,451**	**314**	**(106)**	**15,659**

September 30, 2004

	Millions of Yen			
	Cost	Unrealized Gains	Unrealized Losses	Fair Value
Available-for-sale:				
Equity securities	¥ 470	¥133	¥ (7)	¥ 596
Debt securities	199	—	(2)	197
Other	1,648	8	(12)	1,644

Available-for-sale securities whose fair value is not readily determinable at September 30, 2005 and 2004 were as follows:

	Carrying Amount		
	Millions of Yen		Thousands of U.S. Dollars
	2005	2004	**2005**
Equity securities	**¥1,270**	¥ 82	**$11,219**
Other	**466**	150	**4,120**
Total	**¥1,736**	¥ 232	**$15,339**

4. INVENTORIES

Inventories at September 30, 2005 consisted mainly of work in process related to outplacement and engineering outsourcing. Inventories at September 30, 2004 consisted mainly of work in process related to engineering outsourcing.

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

Short-term bank loans at September 30, 2005 consisted of bank overdrafts. The weight average annual interest rates for short-term bank loans for the six-month periods ended September 30, 2005 were 2.5 percent.

At September 30, 2005 and 2004, the Company had loan commitments from 7 banks and 2 insurance companies in an aggregate amount of ¥6,000 million ($53,008 thousand). There were no loans utilized and outstanding under these arrangements at September 30, 2005 and 2004.

Long-term debt at September 30, 2005 consisted of the following:

	Millions of Yen	Thousands of U.S. Dollars
	2005	**2005**
Unsecured loans from banks and other, due serially to 2010 with interest rates ranging from 1.6% to 3.0% (in 2005)	**¥215**	**$1,897**
Less current portion	**101**	**891**
Long-term debt, less current portion	**114**	**1,006**

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. SHAREHOLDERS' EQUITY

Japanese companies are subject to the Japanese Commercial Code (the "Code").

All shares of common stock are recorded 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 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 as a stock split. Such issuance of shares generally does not give rise to changes within the shareholders' accounts.

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

The Code allows companies to repurchase treasury stock and dispose of such treasury stock by resolution of the Board of Directors. The repurchased 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 to be reduced in the case where such reduction was resolved at the general shareholders meeting.

Dividends are approved by the shareholders at a meeting held subsequent to the fiscal year to which the dividends are applicable. Semiannual interim dividends may also be paid upon resolution of the Board of Directors, subject to certain limitations imposed by the Code.

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	129,000	From June 27, 2004	¥3,066
	Key employees		to June 26, 2012	
June 24, 2003	Directors and	128,000	From June 25, 2005	¥4,166
	Key employees		to June 24, 2013	
June 24, 2004	Directors and	114,000	From June 25, 2006	¥4,370
	Key employees		to June 24, 2008	

The stock options outstanding at September 30, 2005 were less than the above granted numbers due to forfeiture of rights.

The balance of treasury stock recorded in shareholders' equity at September 30, 2005 and 2004 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 ¥65 million ($570 thousand) for the six-month period ended September 30, 2005, because certain income resulting from the restructuring appeared to be clearly recognizable.

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 six-month periods ended September 30, 2005 and 2004.

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, 2005 and 2004 were ¥1 million ($8 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 September 30, 2005 and 2004 was as follows:

	Millions of Yen						
	2005				2004		
	Buildings and Structures	Furniture and Fixtures	Other	Total	Furniture and Fixtures	Other	Total
Acquisition cost	**¥15**	**¥79**	**¥15**	**¥109**	¥13	¥4	¥17
Accumulated depreciation	**—**	**50**	**8**	**58**	11	3	14
Net leased property	**¥15**	**¥29**	**¥ 7**	**¥ 51**	¥ 2	¥1	¥ 3

	Thousands of U.S. Dollars			
	2005			
	Buildings and Structures	Furniture and Fixtures	Other	Total
Acquisition cost	**$136**	**$697**	**$128**	**$961**
Accumulated depreciation	**4**	**442**	**66**	**512**
Net leased property	**$132**	**$255**	**$ 62**	**$449**

Obligations under finance leases at September 30, 2005 and 2004:

	Millions of Yen		Thousands of U.S. Dollars
	2005	2004	**2005**
Due within one year	**¥17**	¥2	**$146**
Due after one year	**34**	1	**304**
Total	**¥51**	¥3	**$450**

Depreciation expense, which was not reflected in the accompanying semi-annual consolidated statements of income computed by the straight-line method, was ¥1 million ($8 thousand) and ¥2 million for the six-month periods ended September 30, 2005 and 2004, 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 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**

	(Thousands of U.S. Dollars)		
		2005	
	Contract Amount	Fair Value	Unrealized Gain / Loss
Currency swap:			
(fixed rate receipt, floating rate payment)	**$15,823**	**$971**	**$971**

The currency swap which qualifies for hedge accounting for the six-month periods 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, 2005 and 2004 is as follows:

	Millions of Yen	Thousands of shares	Yen	U.S. Dollars
	Net income	Weighted average shares	EPS	
Six-month periods ended September 30, 2005:				
Basic EPS				
Net income available to common shareholders	**¥3,251**	**37,800**	**¥86.00**	**$0.76**
Effect of Dilutive Securities				
Warrants	**—**	**4**		
Diluted EPS				
Net income for computation	**¥3,251**	**37,804**	**¥85.99**	**$0.76**
Six-month periods ended September 30, 2004:				
Basic EPS				
Net income available to common shareholders	¥3,634	34,672	¥104.80	
Effect of Dilutive Securities				
Warrants	—	52		
Diluted EPS				
Net income for computation	¥3,634	34,724	¥104.65	

14. SEGMENT INFORMATION

The Group previously operated in one industry and geographical segment and did not disclose segment information.

The Group disclosed segment information about industry segments, geographical segments and sales to foreign customers for the six-month periods September 30, 2005 because Drake Beam Morin-Japan, Inc. became a wholly owned subsidiary since October 1, 2004.

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 six-month periods September 30, 2005, is as follows:

a. Industry Segments

Sales and Operating Income (Loss)

	Millions of Yen				
	2005				
	Outsourcing	Training	Outplacement	Eliminations/ Corporate	Consolidated
Sales to customers	**¥37,443**	**¥1,883**	**¥1,398**	**—**	**¥40,724**
Intersegment sales	**8**	**—**	**16**	**¥ (24)**	**—**
Total sales	**37,451**	**1,883**	**1,414**	**(24)**	**40,724**
Operating expenses	**31,278**	**1,862**	**1,540**	**109**	**34,789**
Operating income (loss)	**¥ 6,173**	**¥ 21**	**¥ (126)**	**¥(133)**	**¥ 5,935**

Sales and Operating Income (Loss)

	Thousands of U.S. Dollars				
	2005				
	Outsourcing	Training	Outplacement	Eliminations/ Corporate	Consolidated
Sales to customers	**$330,795**	**$16,633**	**$12,353**	**—**	**$359,781**
Intersegment sales	**72**	**—**	**143**	**$ (215)**	**—**
Total sales	**330,867**	**16,633**	**12,496**	**(215)**	**359,781**
Operating expenses	**276,328**	**16,444**	**13,609**	**964**	**307,345**
Operating income (loss)	**$ 54,539**	**$ 189**	**$ (1,113)**	**$(1,179)**	**$ 52,436**

Note: Corporate operating expenses of ¥133 million ($1,179 thousand), which are included in "Eliminations/corporate," consist of amortization of consolidation goodwill.

b. Geographical Segments

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**

Sales and Operating Income (Loss)

	Thousands of U.S. Dollars				
	2005				
	Japan	North America	China	Eliminations/ Corporate	Consolidated
Sales to customers	**$343,079**	**$16,633**	**$ 69**	**—**	**$359,781**
Interarea transfer	**—**	**—**	**—**	**—**	**—**
Total sales	**343,079**	**16,633**	**69**	**—**	**359,781**
Operating expenses	**289,590**	**16,444**	**132**	**$ 1,179**	**307,345**
Operating income (loss)	**$ 53,489**	**$ 189**	**$ (63)**	**$(1,179)**	**$ 52,436**

Notes: 1. North America consists of the United States of America and Canada.
2. Corporate operating expenses of ¥133 million ($1,179 thousand) which are included in “Eliminations/corporate,” consist of amortization of consolidation goodwill.

c. Sales to Foreign Customers

	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%**

	Thousands of U.S. Dollars		
	2005		
	North America	China	Total
Sales to foreign customers	**$16,633**	**$69**	**$ 16,702**
Consolidated sales			**359,781**
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, 2005 AND 2004

	Millions of Yen		Thousands of U.S. Dollars
ASSETS	**2005**	2004	**2005**
CURRENT ASSETS:			
Cash and cash equivalents	**¥13,858**	¥10,418	**$122,428**
Short-term investments	**3,672**	3,194	**32,445**
Notes and accounts receivable:			
Trade notes and accounts	**10,223**	10,418	**90,316**
Allowance for doubtful accounts	**(2)**	(2)	**(18)**
Inventories	**125**	175	**1,104**
Deferred tax assets	**2,196**	2,141	**19,398**
Prepaid expenses and other	**600**	595	**5,310**
Total current assets	**30,672**	26,939	**270,983**
PROPERTY AND EQUIPMENT:			
Land	**3,906**	**3,906**	**34,511**
Buildings and structures	**20,930**	20,996	**184,907**
Furniture and fixtures	**3,265**	4,270	**28,843**
Other	**184**	184	**1,628**
Total	**28,285**	29,356	**249,889**
Accumulated depreciation	**(13,069)**	(12,397)	**(115,464)**
Net property and equipment	**15,216**	16,959	**134,425**
INVESTMENTS AND OTHER ASSETS:			
Investment securities	**1,627**	875	**14,372**
Investments in and advances to subsidiaries and associated companies	**15,794**	8,460	**139,535**
Prepaid pension cost	**—**	91	**—**
Leasehold deposits	**780**	800	**6,888**
Deferred tax assets	**2,075**	2,274	**18,335**
Deferred tax asset for land revaluation	**630**	630	**5,562**
Other	**618**	1,620	**5,470**
Total investments and other assets	**21,524**	14,750	**190,162**
TOTAL	**¥67,412**	¥58,648	**$595,570**

The translations of Japanese yen amounts into U.S. dollar amounts have been made at the rate of ¥113.19 to $1, the approximate rate of exchange at September 30, 2005

LIABILITIES AND SHAREHOLDERS' EQUITY	Millions of Yen 2005	Millions of Yen 2004	Thousands of U.S. Dollars 2005
CURRENT LIABILITIES:			
Income taxes payable	**¥ 2,539**	¥ 2,404	**$ 22,434**
Deposits from subsidiaries	**5,324**	3,278	**47,038**
Accrued expenses	**6,102**	5,950	**53,912**
Other	**1,096**	992	**9,685**
Total current liabilities	**15,061**	12,624	**133,069**
LONG-TERM LIABILITIES:			
Liability for retirement benefits	**4,955**	4,316	**43,778**
Total long-term liabilities	**4,955**	4,316	**43,778**
SHAREHOLDERS' EQUITY:			
Common stock:			
Authorized:			
144,417 thousand shares in 2005			
145,192 thousand shares in 2004			
Issued:			
38,404 thousand shares in 2005			
35,380 thousand shares in 2004	**16,826**	16,826	**148,652**
Capital surplus			
Additional paid-in capital	**15,481**	8,661	**136,766**
Retained earnings			
Legal reserve	**4,203**	4,203	**37,129**
Unappropriated	**16,559**	15,448	**146,293**
Land revaluation difference	**(944)**	(944)	**(8,343)**
Unrealized gain on available-for-sale securities	**270**	89	**2,390**
Treasury stock—at cost:			
1,358 thousand shares in 2005 and 664 thousand shares in 2004	**(4,999)**	(2,575)	**(44,164)**
Total shareholders' equity	**47,396**	41,708	**418,723**
TOTAL	**¥67,412**	¥58,648	**$595,570**

SUPPLEMENTAL SEMI-ANNUAL NON-CONSOLIDATED STATEMENTS OF INCOME <UNAUDITED>

SIX-MONTH PERIODS ENDED SEPTEMBER 30, 2005 AND 2004

	Millions of Yen		Thousands of U.S. Dollars
	2005	2004	**2005**
NET SALES	**¥30,366**	¥30,384	**$268,275**
COST OF SALES	**21,155**	20,938	**186,901**
Gross profit	**9,211**	9,446	**81,374**
SELLING, GENERAL AND ADMINISTRATIVE EXPENSES	**3,833**	3,940	**33,859**
Operating income	**5,378**	5,506	**47,515**
OTHER INCOME (EXPENSES):			
Interest and dividend income	**299**	424	**2,640**
Gain/(loss) on investments in partnership—net	**25**	(9)	**217**
Gain on sale of marketable and investment securities—net	**—**	8	**—**
Loss on write-down of investment securities	**—**	(15)	**—**
Gain/(loss) on sales and disposals of fixed assets—net	**(21)**	219	**(182)**
Provision for doubtful accounts	**(20)**	—	**(175)**
Other—net	**29**	10	**251**
Other income—net	**312**	637	**2,751**
INCOME BEFORE INCOME TAXES	**5,690**	6,143	**50,266**
INCOME TAXES:			
Current	**2,647**	2,401	**23,383**
Deferred	**(380)**	(4)	**(3,356)**
Total income taxes	**2,267**	2,397	**20,027**
NET INCOME	**¥ 3,423**	¥ 3,746	**$ 30,239**

	Yen		U.S. Dollars
PER SHARE OF COMMON STOCK			
Basic net income	**¥ 90.55**	¥108.03	**$ 0.80**
Diluted net income	**90.54**	107.87	**0.80**
Cash dividends applicable to the six months	**44.00**	32.00	**0.39**

Notes:

1. **The translations of Japanese yen amounts into U.S. dollar amounts have been made at the rate of ¥113.19 to $1, the approximate rate of exchange at September 30, 2005.**
2. **The computation of net income 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 was 37,800 thousand shares for 2005 and 34,672 thousand shares for 2004.**

MEITEC CORPORATION

Corporate Headquarters	8-5-26, Akasaka, Minato-ku, Tokyo 107-0052, Japan Tel.: (03) 5413-2600
Registered Corporate Headquarters	2-20-1, Kousei Dori, Nishi-ku, Nagoya, Aichi 451-0075, Japan Tel.: (052) 532-1811
Establishment	July 17, 1974
Common Stock	Authorized: 144,416,600 shares Issued: 38,404,055 shares
Shareholders	8,747
Employees (consolidated)	8,354
Lines of Business	Providing engineering services to major Japanese manufacturing companies in the fields of high-technology research and development

Consolidated Subsidiaries

Outsourcing Business
- Japan Outsourcing Inc. (change of corporate name to MEITEC FIELDERS INC. effective January 1, 2006.)
- Meitec Global Solutions Inc.
- Three D Tec Inc.
- Information Management System Co., Ltd.
- Apollo Giken Co., Ltd.
- Meitec Shanghai
- Shanghai Apomac Science & Technology
- 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.
- ZHEJIANG MI High Technology Co., Ltd.

Outplacement Business
- Drake Beam Morin-Japan, Inc.

Notes:
1. On May 1, 2005, Career-Masters Japan, Inc. was absorbed by Japan Cast, Inc.
2. On September 30, 2005 Apollo Giken Co., Ltd. became a consolidated subsidiary of the Meitec Group through a third-party allocation of new shares for which it is has accepted and received payment.
3. Accordingly, Apollo Giken Co., Ltd.'s subsidiary Shanghai Apomac Science & Technology has also become a subsidiary of the Meitec Group.
4. Novations Group Inc. (holding company) leads efforts in handling the North America education business together with Novations Group Inc. (Delaware, U.S.A.) and Novations Performance Solutions, Ltd.

(September 30, 2005)

Executive Officers, Directors and Auditors

CEO & COO	Kosuke Nishimoto	
Executive Officers	Hideyo Kokubun Shigeo Kamezawa Hidenori Nagasaka	Akiyoshi Ogasawara Hideharu Naganuma
President and Representative Director	Kosuke Nishimoto	
Directors	Kanji Fukuda Toshihiko Murayama Atsuhiko Umeda[1]	Hideyo Kokubun Hiroshi Yoneda
Auditors	Yoshinori Takamine Hiroshi Watanabe[2]	Masatoshi Saito[2]

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.

(November 1, 2005)

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/

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