MEITEC
THE ENGINEERING OUTSOURCING® COMPANY

MEITEC CORPORATION

ANNUAL REPORT 2005

PROFILE

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 alternate personnel office and engineering division for the entire manufacturing industry, and contributes to society by utilizing the full potential of engineers, an invaluable management resource.

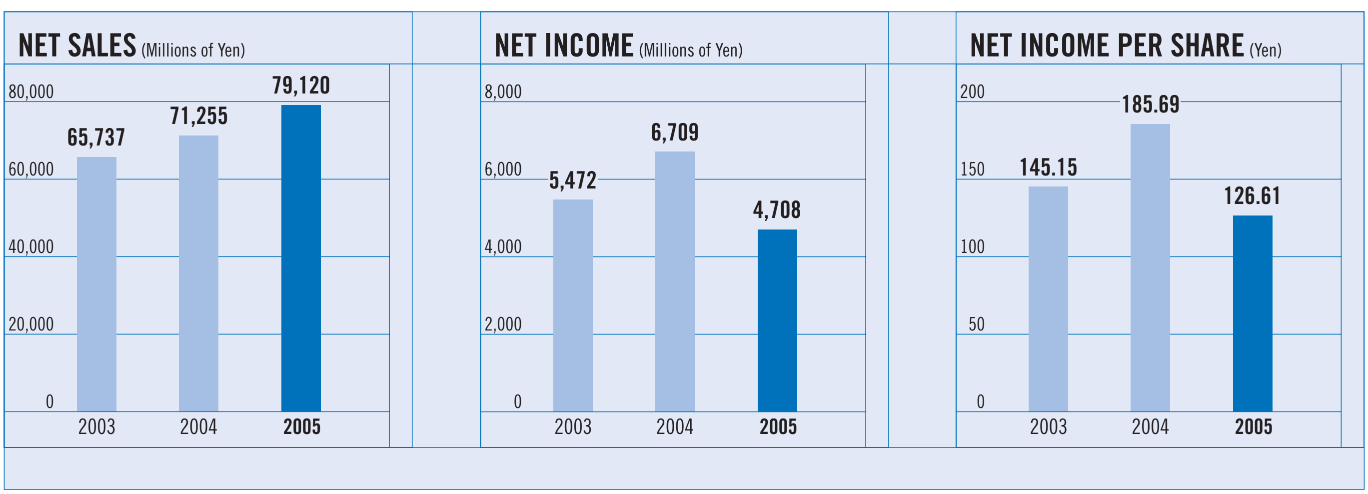
CONTENTS

CONSOLIDATED FINANCIAL HIGHLIGHTS

	Millions of Yen			Thousands of U.S. Dollars (Note 1)
Years ended March 31	**2005**	2004	2003	**2005**
Net Sales	**¥ 79,120**	¥ 71,255	¥ 65,737	**$739,443**
Operating Income	**12,289**	12,267	9,149	**114,853**
Net Income	**4,708**	6,709	5,472	**43,998**
Total Assets	**68,675**	60,882	59,831	**641,821**
Total Shareholders' Equity	**49,218**	42,686	45,437	**459,981**
	Yen			U.S. Dollars
Per Share of Common Stock:				
Shareholders' Equity	**¥1,295.04**	¥1,228.41	¥1,244.88	**$ 12.10**
Cash Dividend	**64.00**	78.00	47.50	**0.60**
Net Income (Note 2)	**126.61**	185.69	145.15	**1.18**
	%			
Return on Average Equity	**10.2**	15.2	12.1	

Notes: 1. U.S. dollar amounts are translated from Japanese yen, for convenience only, at the rate of ¥107 to $1, the approximate exchange rate prevailing as of March 31, 2005.

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



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, 2005.

During the period under review, the Japanese economy as a whole saw a slight recovery. As we entered the second half, however, uncertainties such as the stalling of the digital home appliance market, the accompanying slowdown in semiconductor related businesses, and others began to increase. In spite of macroeconomic factors, the manufacturing industry as a whole continued forward-looking R&D investment, and there were no major changes in the basic direction of the manufacturing sector.

In this market environment, Meitec expanded its primary business of engineering outsourcing, and achieved both increased revenues and increased earnings (operating income) on a consolidated basis. The Meitec Group's primary companies, consisting of engineering outsourcing companies Meitec and Japan Outsourcing Inc. ("Japan Outsourcing"), registration-style temporary staffing business Japan Cast Inc. ("Japan Cast"), and engineering solutions companies Three D Tec Inc. ("3D Tec") and Information Management System Co., Ltd. ("IMS"), each achieved increased revenues and increased earnings (operating income). Global business Meitec Global Solutions Inc. ("MGS") saw an increase in revenues, but finished with an operating loss of ¥1 million. Outplacement business Drake Beam Morin-Japan, Inc. ("DBM") suffered a decrease in revenues and earnings.

In particular, our engineering outsourcing business, which accounts for approximately 90% of net sales, achieved increased revenues and increased earnings through the collaborations of marketing operations of the Meitec and Japan Outsourcing brands. Especially in each of the three fields of electronics, industrial machinery, and information and communication devices, net sales increased considerably on a year-to-year basis. 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. Meitec's engineer utilization ratio achieved the target of 97.8% set at the announcement of the interim period results in November 2004. The utilization ratio of Japan Outsourcing exceeded the target of 97.0% set at the announcement of the interim period results in November 2004, rising to 97.3%.

The engineering solutions business primarily serves our clients, the manufacturing industry, with our engineers placed as key persons to conduct design and development activities such as the fabrication of prototype model and printed circuit boards. Engineering solutions companies 3D Tec and IMS each achieved increased revenues and earnings by enhancing marketing efforts and expanding the scope of their services.

Our global business branch, MGS, centered on the business in China, entered its second year of operations and attained increased revenues with a rise in business contracts. However, because many of the contracts entered are forward-looking investment type agreements, gross profit rose but the business was still unable to produce an operating income.

DBM, which was integrated in October 2004, is our primary outplacement business. The business has been affected by the shrinking outplacement market, and suffered losses in revenues and earnings (as a consolidated subsidiary in only the second half of the period under review).

Due to the weak performance of DBM's U.S. subsidiary Novations and the subsequent restructuring, Novations Group, Inc. registered ¥1,744 million in extraordinary losses related to the impairment of goodwill and the disposal of businesses. At the same time that restructuring took place at the U.S. subsidiary, the cost structure of DBM's core outplacement business also underwent reform.

As a result of the foregoing, consolidated net sales rose 11.0% to ¥79,120 million (US$739,443 thousand). Operating income increased 0.2% to ¥12,289 million (US$114,853 thousand), ordinary income decreased 0.8% to ¥12,191 million (US$113,931 thousand), and net income decreased 29.8% to ¥4,708 million (US$43,998 thousand). Return on equity (ROE) was down 5.0 percentage points to 10.2% compared with the same period of the previous fiscal year.

Performance according to business segment was as follows.

Net sales of the outsourcing business reached ¥74,538 million (US$696,621 thousand), and operating income was ¥12,835 million (US$119,960 thousand). Net sales of the training business reached ¥2,510 million (US$23,462 thousand), and operating loss was ¥284 million (US$2,654 thousand). Net sales of the outplacement business reached ¥2,072 million (US$19,360 thousand), and operating loss was ¥129 million (US$1,205 thousand). Because business results by segment were not disclosed in the previous fiscal year, 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 ¥76,605 million (US$715,931 thousand), and operating income was ¥12,738 million (US$119,043 thousand). Net sales in North America reached ¥2,510 million (US$23,462 thousand), and operating loss was ¥284 million (US$2,654 thousand). Net sales in China reached ¥5 million (US$50 thousand), and operating loss was ¥32 million (US$288 thousand). Because business results by the location were not disclosed in the previous fiscal year, comparison on a year-on-year basis has not been carried out.

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. Meitec has determined dividends of ¥64.0 (US$0.60) per share.

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

June 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 and IMS.

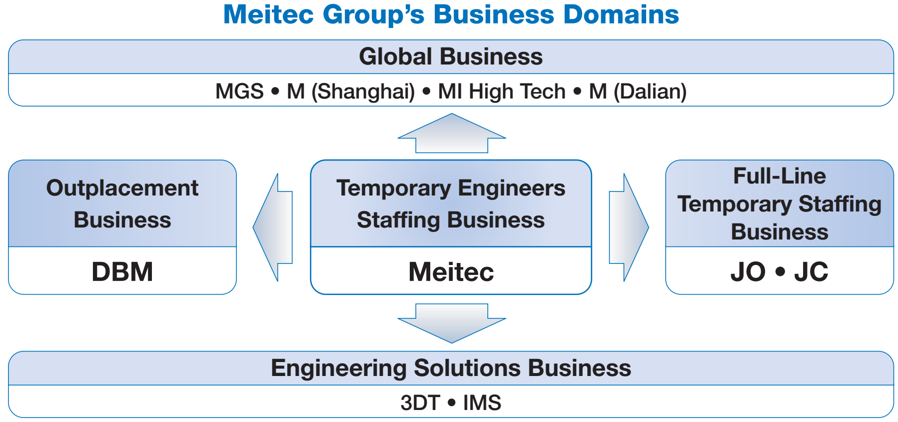
● Global Business

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.

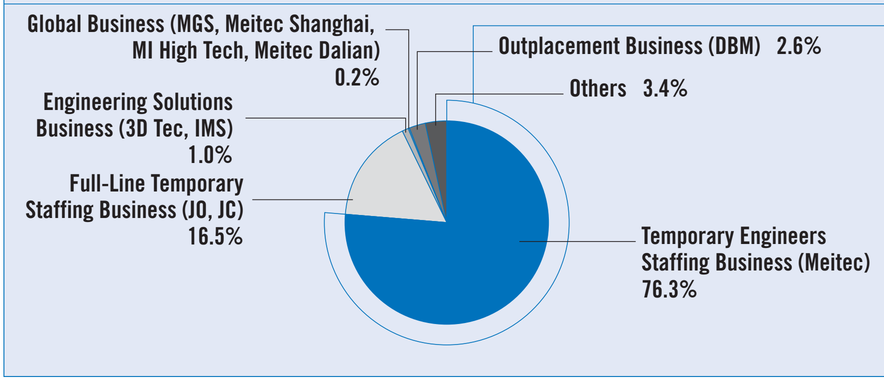
Meitec Group’s Business Domains



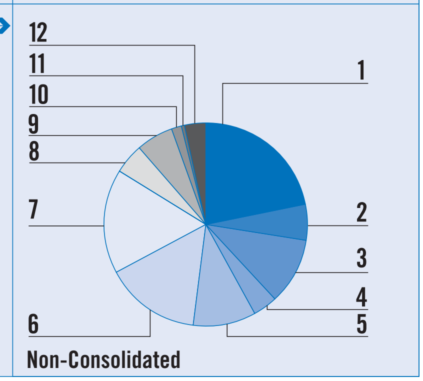
JO = Japan Outsourcing; JC = Japan Cast; 3DT = 3D Tec; IMS = Information Management System; MGS = Meitec Global Solutions; M (Shanghai) = Meitec Shanghai; MI High Tech = ZHEJIANG MI High Technology; M (Dalian) = MEITEC Dalian TechnoCenter; DBM = Drake Beam Morin-Japan

OPERATIONAL REVIEW

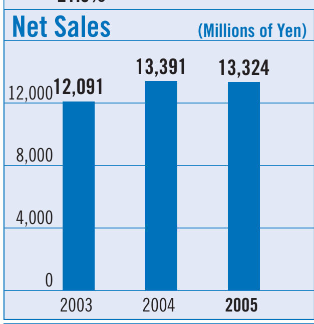
REVENUE BY MEITEC GROUP'S BUSINESS DOMAIN



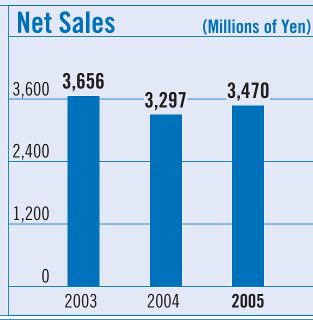
MEITEC REVENUES BY CUSTOMER



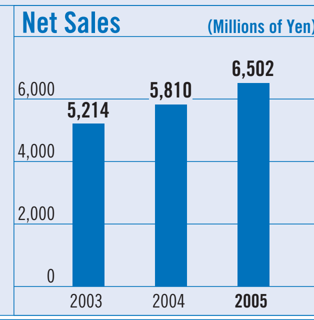
1 AUTOMOBILE/TRANSPORTATION 21.8%



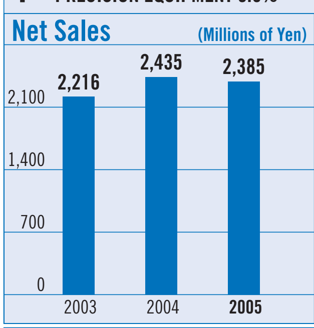
2 AIRCRAFT/AEROSPACE 5.7%



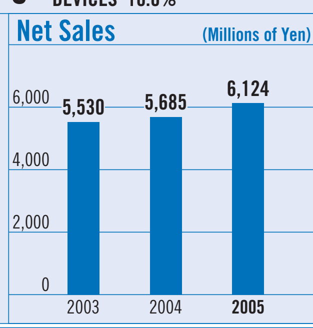
3 INDUSTRIAL MACHINERY 10.6%



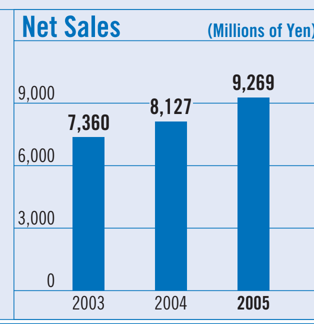
4 PRECISION EQUIPMENT 3.9%



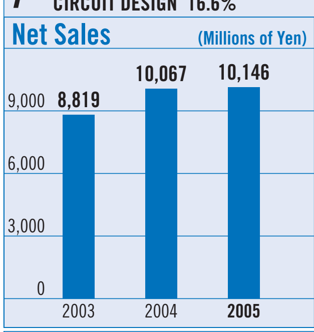
5 IT-RELATED HARDWARE AND DEVICES 10.0%



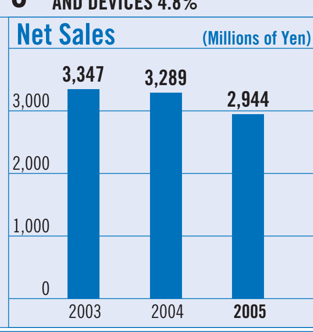
6 ELECTRIC AND ELECTRONICS 15.2%



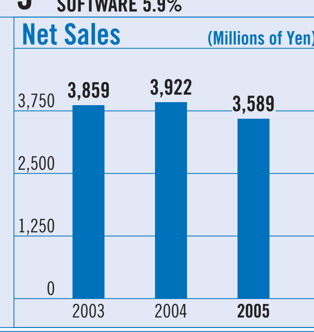
7 SEMICONDUCTORS AND INTEGRATED CIRCUIT DESIGN 16.6%



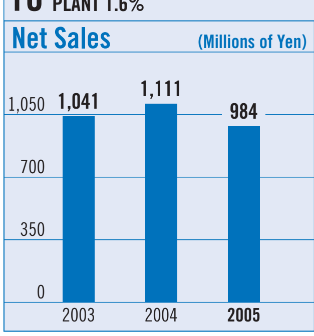
8 SEMICONDUCTOR EQUIPMENT AND DEVICES 4.8%



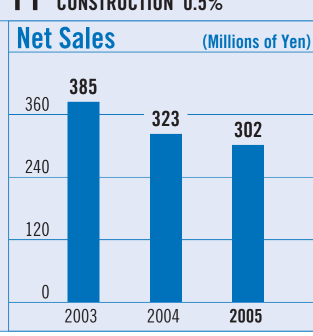
9 INFORMATION PROCESSING/ SOFTWARE 5.9%



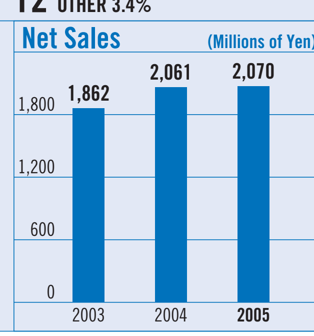
10 PLANT 1.6%



11 CONSTRUCTION 0.5%



12 OTHER 3.4%



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 Group strategy, we plan to expand our core business of engineering outsourcing into fields peripheral to manufacturing industries.

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 the fiscal year ended March 31, 2001. 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 has been introduced as a more effective incentive system for improved performance to directors and employees.

(2) The proportion of dormant stock options, which are high, are not functioning effectively as an incentive system.

(3) The new procedure to report 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 to fund investments in training facilities, information systems and improvement of the quality of services provided to customers, as well as 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.

As per its financial policy, Meitec has fixed its cash position on a consolidated basis at 14.0 billion yen (two months' sales for the Group), and returns profits for shareholders through cash dividends and retirement of stock.

We have implemented the retirement of treasury stock. From fiscal 2002 to fiscal 2005, the total number of retirement stock is 5,583 thousand shares, and the total amount is ¥20,987 million.

LONG-TERM MANAGEMENT STRATEGY

In response to the era of consolidated management, Meitec inaugurated its Global Vision 21 consolidated management plan in fiscal 2004. This plan had the objective of stimulating the expansion and development of the Meitec Group.

The overall strategy of the Meitec Group (consisting of Meitec, Japan Outsourcing, Japan Cast, 3D Tec, IMS, MGS, DBM, Meitec Shanghai, MI High Tech, and Meitec Dalian, as of April 30, 2005) is oriented toward strengthening its position at the top of the engineering outsourcing industry. To achieve this, the strategy calls for building a business structure that provides complete design and development outsourcing, orchestrating the combined strengths of the Group companies to meet the needs of the manufacturing industries domestic and overseas for high-level engineering development, as well as a variety of mid- to low-level technical functions.

In Global Vision 21, the entire Group will continue to expand businesses centered on the strength of the Meitec brand, which we have built up in the engineering outsourcing industry. As the primary goal of our Global Vision 21 plan, we aim to become a ¥100 billion group by the end of the period ending March 31, 2008. We will expand activities around the periphery of the engineering outsourcing business, 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. The Meitec Group consists of the following subsidiaries, charged with carrying out the four aforementioned business vectors.

(1) Full-line temporary staffing business: Japan Outsourcing and Japan Cast
(2) Engineering solutions business: 3D Tec and IMS
(3) Global business: MGS, Meitec Shanghai, MI High Tech and Meitec Dalian
(4) Outplacement business: DBM

Our strategy is for the entire Group to grow as each Group company makes effective use of its strengths and coordinates its 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.

At the same time that we are aiming to expand into a ¥100 billion group, the Meitec Group also plans to serve as a “second personnel department” and a “second technology department” to the whole manufacturing sector, by providing total personnel and technology service solutions.

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 will be implemented in fiscal 2004, will establish a ROE goal of 15%.

The Meitec Group adopted Global Vision 21, a management plan covering the period from March 2004 through March 2008, with the objective of building a strong business structure that is not vulnerable to business cycles, and to promote further business expansion for the entire Group. This business model is built on the engineer temporary staffing business, in which Meitec dispatches engineers on a temporary basis to the technology development divisions of firms in the manufacturing industry.

THEMES OF GLOBAL VISION 21

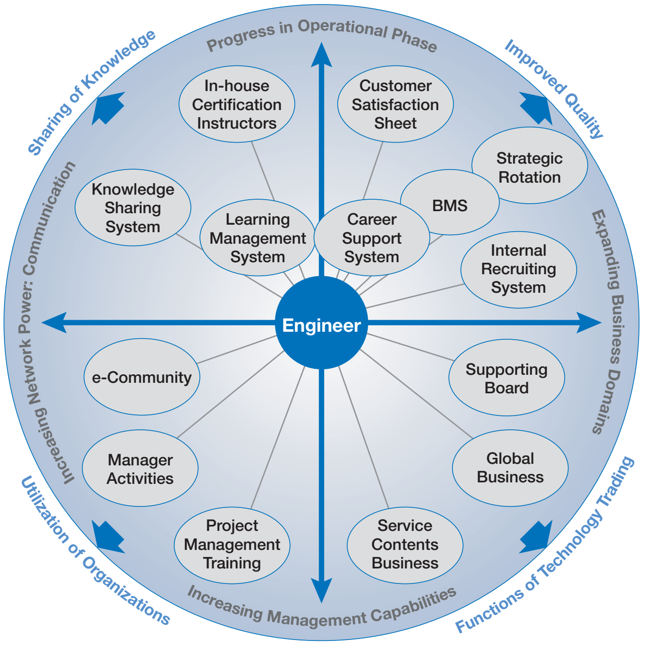
1. Building a corporate system within which engineers can autonomously increase the market value of their own skills.
2. Achieving the growth of the entire Group through promoting the Group Strategy.

THEME 1

Building a corporate system within which engineers can autonomously increase the market value of their own skills.

Meitec endeavors to increase its corporate value by supporting the career development of its engineers through various training curricula and systems. This allows individual engineers to increase the market value of their own skills through autonomous career development. And Global Vision 21 promotes the usage of 14 strategic tools for the career development of Meitec's engineers.

14 Strategic Tools



MAIN STRATEGIC TOOLS

● Career Support System

To raise the technological level of the work performed by our engineers while they are at client companies, Meitec provides the Career Support System, the self-directed career development systems, to our engineers. In addition to 14 kinds of training tools such as advanced training and e-Learning, Meitec provides customized training based on the specific needs of particular customers, which fulfills both employee satisfaction and customer satisfaction.

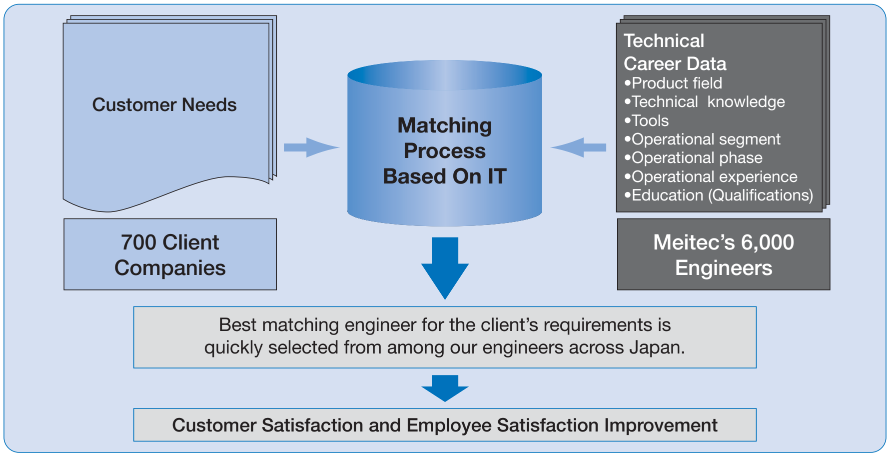
● Strategic Rotation

By monitoring the status of the engineer's technological skills, Meitec pursues a strategy of fostering the career development of its engineers by proposing an active rotation schedule to its clients. This is consistent with Meitec's business policy that "raising the level of employee satisfaction brings higher levels of customer satisfaction," and is made possible because client companies regard Meitec as a strategic partner.

● Best Matching System

Matching the right engineer for client company's needs is a vitally important strategic issue. Meitec quantifies each engineer's career data and the data derived from every order for services from each client, and maintains this information in a database. This database is the heart of the highly precise Best Matching System, launched in April 2002. In addition to an extremely high degree of objectivity in matching, this system raises the level of customer satisfaction by allowing us to develop a precise understanding of the needs of each client company. This, in turn, supports the career development of our engineers, which makes a large contribution to employee satisfaction.

Best Matching System

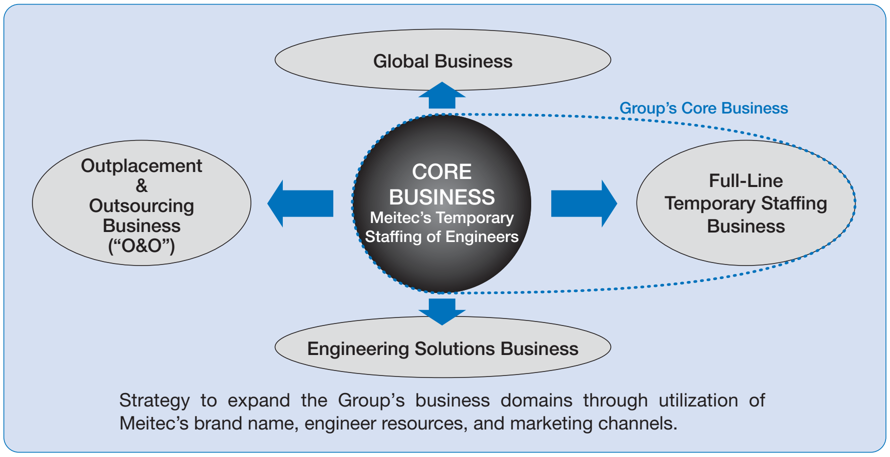


THEME 2

Achieving the growth of the entire Group through promoting the Group Strategy.

The changes in the market environment for the manufacturing industry, which is the primary client of the engineer temporary staffing business, are more dramatic than ever before seen. Changes include the truncation of product cycles and the accelerating globalization of manufacturing. Global Vision 21 sets forth a strategy for the Group's growth, the elements of which include responding to today's market environment by placing engineer temporary staffing as Meitec's core business, ensuring that the entire Group shares and efficiently utilizes management resources, including industry-leader Meitec's brand power and marketing channels that encompass 4,000 firms, and expanding the Group's business domain.

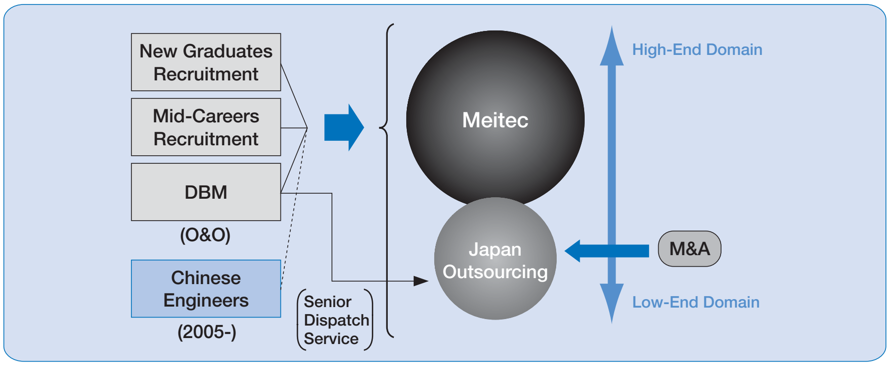
Meitec Group Business Expansion Strategy



DOUBLE BRAND STRATEGY

Meitec's core business, the engineer temporary staffing business, is in a high-end market involving a high level of technology. But in the mid-range and low-end markets, which are displaying more expansion, the Meitec Group is pursuing the Double Brand Strategy in a push to achieve steady expansion of market share. Under the Double Brand Strategy, Meitec specializes in the high-end domain, while our subsidiary Japan Outsourcing covers the other domains. Customer needs are covered from high-end to low-end, and the Group works to expand its share of its core engineer temporary staffing business.

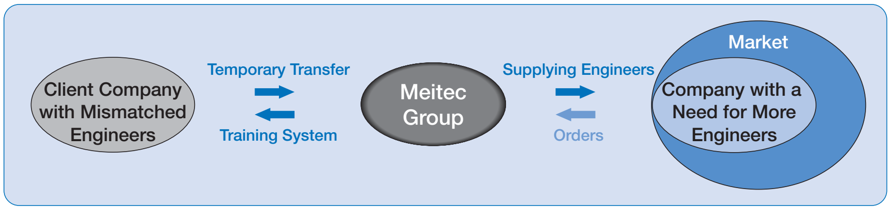
Meitec Group's Double Brand Strategy



OUTPLACEMENT AND OUTSOURCING STRATEGY

From the second half of fiscal 2004, we utilized outplacement capabilities of subsidiary DBM to find new employment for mismatched engineering personnel of the Meitec Group's client companies in the manufacturing industry. Under this new business model, we receive such mismatched engineers under a loan basis, and we use the Group's marketing channels to find companies that need engineers, and dispatch them on a temporary staffing basis. This both resolves engineer shortages and supports the career development of engineers in every industry, and is a new strategy for increasing the number of our working pool of engineers.

Outplacement and Outsourcing Strategy



GLOBAL STRATEGY

In our global strategy, we are now executing two projects in China. China Project 1 (a cost-reduction-type solutions business) involves a business model under which we worked through a partner firm in China to offer our clients in Japan the low-end services at a lower cost than would be possible using Japanese resources. China Project 2 (Training and placement of Chinese engineers) is an education and training business primarily targeting recent science or technology graduates of Chinese universities, with the objective of placing those Chinese engineers with Japanese-owned companies in China. Through ties with Chinese universities and the cooperation of local governments, we established two education and training companies during 2004. Plans call for the training and placement of 100 to 150 engineers a year through these firms. At the same time, we will employee 50 engineers from the programs into the Meitec Group, and in the second half of 2005, will enter the business of the temporary staffing of these Chinese engineers in Japan. This is also part of our strategy for expanding the number of our working engineers.

SERVICE CONTENT STRATEGY

All Meitec engineers are contact points, gateways, with our clients. By adding capabilities similar to a trading company to present the Meitec Group's human resources, information resources, software, and hardware capabilities comprehensively along with our engineer temporary staffing business, this strategy is expanding the Meitec Group's business domain and spurring the Group's growth.

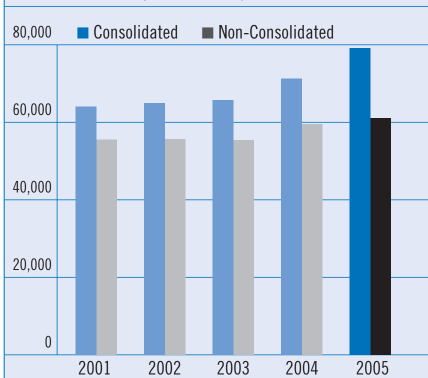
"Global Vision 21" Group Earnings Target

by the End of the Fiscal Year Ending March 31, 2008

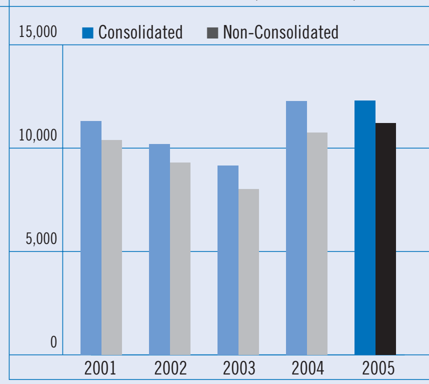
- Consolidated Net Sales: **100** billion Yen
- Consolidated Operating Margin: **15**%
- ROE: **15**%

Performance and Ratios

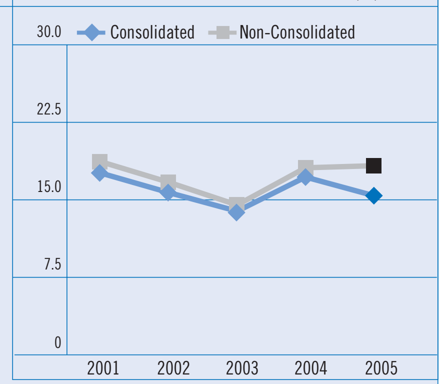
NET SALES (Millions of Yen)



OPERATING INCOME (Millions of Yen)



OPERATING INCOME MARGIN (%)



Net Sales (Millions of Yen)

Consolidated

2001	2002	2003	2004	**2005**
¥64,073	¥64,998	¥65,737	¥71,255	**¥79,120**

Non-Consolidated

2001	2002	2003	2004	**2005**
¥55,543	¥55,638	¥55,379	¥59,519	**¥61,110**

Operating Income (Millions of Yen)

Consolidated

2001	2002	2003	2004	**2005**
¥11,299	¥10,193	¥9,149	¥12,267	**¥12,289**

Non-Consolidated

2001	2002	2003	2004	**2005**
¥10,389	¥9,311	¥8,027	¥10,758	**¥11,219**

Operating Income Margin (%)

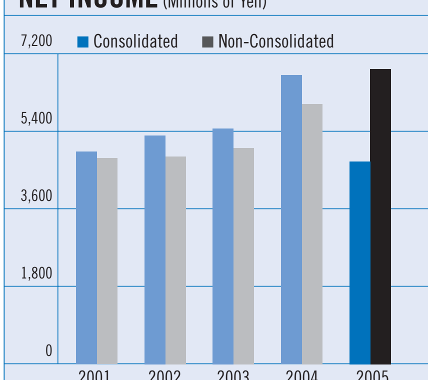
Consolidated

2001	2002	2003	2004	**2005**
17.6	15.7	13.9	17.2	**15.4**

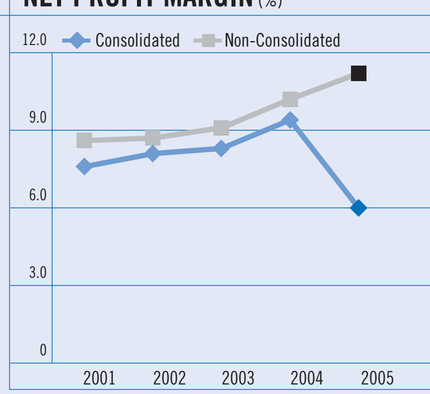
Non-Consolidated

2001	2002	2003	2004	**2005**
18.7	16.7	14.5	18.1	**18.3**

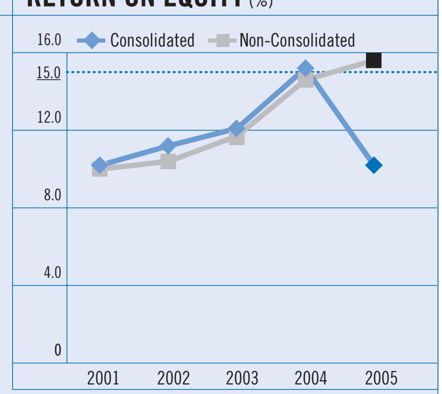
NET INCOME (Millions of Yen)



NET PROFIT MARGIN (%)



RETURN ON EQUITY (%)



Net Income (Millions of Yen)

Consolidated

2001	2002	2003	2004	**2005**
¥4,932	¥5,309	¥5,472	¥6,709	**¥4,708**

Non-Consolidated

2001	2002	2003	2004	**2005**
¥4,781	¥4,822	¥5,018	¥6,044	**¥6,854**

Net Profit Margin (%)

Consolidated

2001	2002	2003	2004	**2005**
7.6	8.1	8.3	9.4	**6.0**

Non-Consolidated

2001	2002	2003	2004	**2005**
8.6	8.7	9.1	10.2	**11.2**

Return on Equity (%)

Consolidated

2001	2002	2003	2004	**2005**
10.2	11.2	12.1	15.2	**10.2**

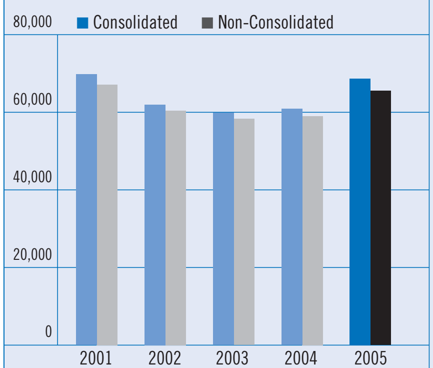
Non-Consolidated

2001	2002	2003	2004	**2005**
10.0	10.4	11.7	14.6	**15.6**

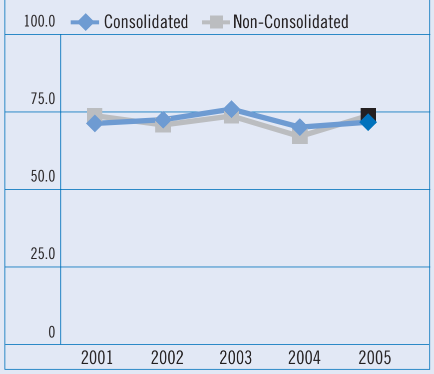
Capital Safety

Capital Efficiency

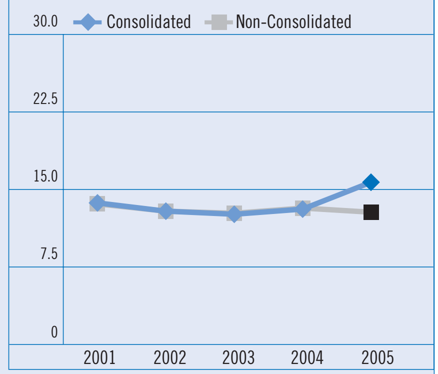
TOTAL ASSETS (Millions of Yen)



RATIO OF SHAREHOLDERS' EQUITY TO TOTAL ASSETS (%)



RATIO OF NET SALES TO SG&A EXPENSES (%)



Total Assets (Millions of Yen)

Consolidated

2001	2002	2003	2004	**2005**
¥69,778	¥61,927	¥59,831	¥60,882	**¥68,675**

Non-Consolidated

2001	2002	2003	2004	**2005**
¥67,133	¥60,443	¥58,297	¥58,994	**¥65,501**

Ratio of Shareholders' Equity to Total Assets (%)

Consolidated

2001	2002	2003	2004	**2005**
71.3	72.5	75.9	70.1	**71.7**

Non-Consolidated

2001	2002	2003	2004	**2005**
73.8	70.8	73.7	67.1	**73.8**

Ratio of Net Sales to SG&A Expenses (%)

Consolidated

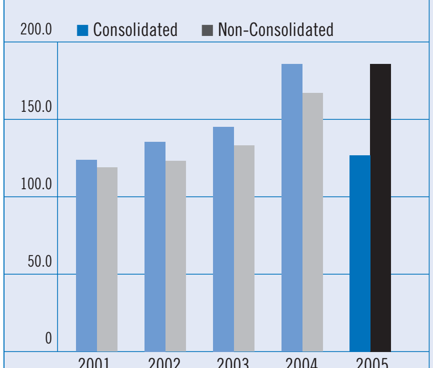
2001	2002	2003	2004	**2005**
13.7	12.9	12.6	13.1	**15.7**

Non-Consolidated

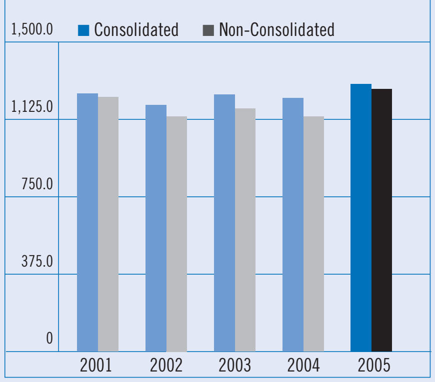
2001	2002	2003	2004	**2005**
13.6	12.9	12.7	13.2	**12.8**

Per Share Indicators

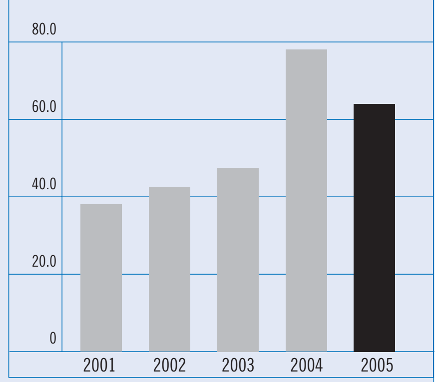
NET INCOME PER SHARE (Yen)



EQUITY PER SHARE (Yen)



CASH DIVIDENDS PER SHARE (Yen)



Net Income per Share (Yen)

Consolidated

2001	2002	2003	2004	**2005**
¥123.8	¥135.5	¥145.2	¥185.7	**¥126.6**

Non-Consolidated

2001	2002	2003	2004	**2005**
¥119.0	¥123.1	¥133.2	¥167.0	**¥185.8**

Equity per Share (Yen)

Consolidated

2001	2002	2003	2004	**2005**
¥1,250.0	¥1,194.9	¥1,244.9	¥1,228.4	**¥1,295.0**

Non-Consolidated

2001	2002	2003	2004	**2005**
¥1,233.4	¥1,139.8	¥1,177.6	¥1,138.8	**¥1,271.3**

Cash Dividends per Share (Yen)

Non-Consolidated

2001	2002	2003	2004	**2005**
¥38.0	¥42.5	¥47.5	¥78.0	**¥64.0**

CONSOLIDATED BALANCE SHEETS

MARCH 31, 2005 AND 2004

ASSETS	Millions of Yen 2005	Millions of Yen 2004	Thousands of U.S. Dollars (Note 1) 2005
CURRENT ASSETS:			
Cash and cash equivalents	**¥16,861**	¥11,226	**$157,580**
Short-term investments (Note 3)	**3,441**	3,611	**32,155**
Notes and accounts receivable:			
Trade notes and accounts	**13,228**	11,469	**123,628**
Allowance for doubtful accounts	**(117)**	(8)	**(1,091)**
Inventories (Note 4)	**1,036**	65	**9,682**
Deferred tax assets (Note 10)	**2,574**	2,656	**24,051**
Prepaid expenses and other	**1,086**	678	**10,158**
Total current assets	**38,109**	29,697	**356,163**
PROPERTY AND EQUIPMENT:			
Land	**3,906**	3,906	**36,508**
Buildings and structures	**21,534**	21,036	**201,249**
Machinery and equipment	**184**	185	**1,722**
Furniture and fixtures	**3,821**	4,863	**35,706**
Total	**29,445**	29,990	**275,185**
Accumulated depreciation	**(13,335)**	(12,577)	**(124,628)**
Net property and equipment	**16,110**	17,413	**150,557**
INVESTMENTS AND OTHER ASSETS:			
Investment securities (Note 3)	**2,612**	939	**24,411**
Investments in associated companies	**31**	7,397	**294**
Consolidation goodwill	**5,206**	—	**48,658**
Goodwill	**1,856**	60	**17,348**
Leasehold deposits	**1,244**	904	**11,629**
Deferred tax assets (Note 10)	**1,954**	2,232	**18,259**
Deferred tax asset for land revaluation (Note 2.g)	**630**	630	**5,884**
Other	**923**	1,610	**8,618**
Total investments and other assets	**14,456**	13,772	**135,101**
TOTAL	**¥68,675**	¥60,882	**$641,821**

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:			
Accounts payable	—	¥ 4	—
Income taxes payable	¥ 1,865	4,333	$ 17,429
Accrued expenses	7,852	7,234	73,385
Allowance for loss on foreign operations	95	—	890
Other	4,865	2,088	45,463
Total current liabilities	14,677	13,659	137,167
LONG-TERM LIABILITIES:			
Liability for retirement benefits (Note 6)	4,651	4,116	43,467
Other	58	362	540
Total long-term liabilities	4,709	4,478	44,007
MINORITY INTERESTS	71	59	666
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	157,251
Capital surplus	15,481	8,664	144,678
Retained earnings	19,611	20,880	183,278
Land revaluation difference	(944)	(944)	(8,826)
Unrealized gain on available-for-sale securities	159	118	1,499
Foreign currency translation adjustments	(34)	(5)	(321)
Treasury stock—at cost:			
478 thousand shares in 2005 and 743 thousand shares in 2004	(1,881)	(2,853)	(17,578)
Total shareholders' equity	49,218	42,686	459,981
TOTAL	¥68,675	¥60,882	$641,821

CONSOLIDATED STATEMENTS OF INCOME

YEARS ENDED MARCH 31, 2005 AND 2004

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2005	2004	**2005**
NET SALES	**¥79,120**	¥71,255	**$739,443**
COST OF SALES	**54,460**	49,649	**508,972**
Gross profit	**24,660**	21,606	**230,471**
SELLING, GENERAL AND ADMINISTRATIVE EXPENSES	**12,371**	9,339	**115,618**
Operating income	**12,289**	12,267	**114,853**
OTHER INCOME (EXPENSES):			
Interest and dividend income	**35**	73	**325**
Loss on sales and disposals of property and equipment—net	**(638)**	(162)	**(5,958)**
Impairment loss (Note2.f)	**—**	(139)	**—**
Gain (loss) on sales of marketable and investment securities—net	**12**	(24)	**109**
Gain on sale of investment in a subsidiary	**106**	—	**995**
Loss on write-down of investment securities	**(16)**	(62)	**(147)**
Equity in losses of associated companies	**(114)**	—	**(1,062)**
Reversal of liability for retirement benefits (Note 6)	**—**	85	**—**
Loss on impairment of goodwill (Note 9)	**(875)**	—	**(8,175)**
Loss on liquidation of foreign operations (Note 9)	**(771)**	—	**(7,205)**
Provision for loss on foreign operations	**(99)**	—	**(925)**
Other—net	**(28)**	(83)	**(280)**
Other expenses—net	**(2,388)**	(312)	**(22,323)**
INCOME BEFORE INCOME TAXES AND MINORITY INTERESTS	**9,901**	11,955	**92,530**
INCOME TAXES (Note 10)			
Current	**4,788**	6,147	**44,748**
Deferred	**397**	(904)	**3,713**
Total income taxes	**5,185**	5,243	**48,461**
MINORITY INTERESTS IN NET INCOME	**(8)**	(3)	**(71)**
NET INCOME	**¥ 4,708**	¥ 6,709	**$ 43,998**

	Yen		U.S. Dollars
PER SHARE OF COMMON STOCK (Notes 2.q and 13):			
Basic net income	**¥126.61**	¥185.69	**$ 1.18**
Diluted net income	**126.37**	185.52	**1.18**
Cash dividends applicable to the year	**64.00**	78.00	**0.60**

See notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY

YEARS ENDED MARCH 31, 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 (Loss) on Available-for-sale Securities	Foreign Currency Translation Adjustments	Treasury Stock at Cost
BALANCE, APRIL 1, 2003	36,499	¥ 16,815	¥ 8,650	¥ 23,518	¥ (1,137)	¥ (51)	—	¥ (2,358)
Net income	—	—	—	6,709	—	—	—	—
Cash dividends, ¥57.5 per share	—	—	—	(2,058)	—	—	—	—
Bonuses to directors and corporate auditors	—	—	—	(92)	—	—	—	—
Conversion of convertible bonds	16	11	11	—	—	—	—	—
Repurchase of treasury stock	(1,890)	—	—	—	—	—	—	(7,540)
Disposal of treasury stock	12	—	—	—	—	—	—	41
Gain on disposal of treasury stock	—	—	3	—	—	—	—	—
Retirement of treasury stock	—	—	—	(7,004)	—	—	—	7,004
Reversal of land revaluation difference	—	—	—	(193)	193	—	—	—
Net change in unrealized gain on available-for-sale securities	—	—	—	—	—	169	—	—
Net change in foreign currency translation adjustments	—	—	—	—	—	—	(5)	—
BALANCE, MARCH 31, 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)	—	—	—	—
Repurchase 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)**

	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, 2004	$ 157,251	$ 80,986	$ 195,137	$ (8,826)	$ 1,099	$ (50)	$ (26,659)
Net income	—	—	43,998	—	—	—	—
Cash dividends, $0.76 per share	—	—	(26,244)	—	—	—	—
Bonuses to directors and corporate auditors	—	—	(1,297)	—	—	—	—
Repurchase of treasury stock	—	—	—	—	—	—	(21,665)
Disposal of treasury stock	—	—	—	—	—	—	2,719
Loss on disposal of treasury stock	—	(43)	(289)	—	—	—	—
Retirement of treasury stock	—	—	(28,027)	—	—	—	28,027
Shares issued in exchange for the common stock of Drake Beam Morin-Japan, Inc.	—	63,735	—	—	—	—	—
Net change in unrealized gain on available-for-sale securities	—	—	—	—	400	—	—
Net change in foreign currency translation adjustments	—	—	—	—	—	(271)	—
BALANCE, MARCH 31, 2005	**$157,251**	**$144,678**	**$183,278**	**$(8,826)**	**$1,499**	**$(321)**	**$(17,578)**

See notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS

YEARS ENDED MARCH 31, 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	**¥ 9,901**	¥11,955	**$ 92,530**
Adjustments for:			
Income taxes—paid	**(7,333)**	(3,318)	**(68,534)**
Depreciation and amortization	**1,139**	1,074	**10,647**
(Gain) loss on sales of marketable and investment securities—net	**(12)**	24	**(109)**
Gain on sale of investment in a subsidiary (Note 16)	**(106)**	—	**(995)**
Equity in losses of associated companies	**114**	—	**1,062**
Loss on sales and disposals of property and equipment—net	**751**	160	**7,022**
Loss on write-down of investment securities	**16**	62	**147**
Loss on impairment of goodwill (Note 9)	**1,264**	—	**11,816**
Impairment loss	**—**	139	**—**
Changes in assets and liabilities:			
Increase in trade receivables	**(642)**	(914)	**(6,004)**
Increase in accrued expenses	**304**	391	**2,840**
(Decrease) increase in consumption taxes payable	**(287)**	137	**(2,678)**
Increase in liability for retirement benefits	**682**	653	**6,371**
Other—net	**(574)**	136	**(5,356)**
Total adjustments	**(4,684)**	(1,456)	**(43,771)**
Net cash provided by operating activities	**5,217**	10,499	**48,759**
INVESTING ACTIVITIES:			
Purchases of short-term investments	**(1,352)**	(5,202)	**(12,633)**
Proceeds from sales of short-term investments	**1,600**	4,503	**14,953**
Purchases of investment securities	**—**	(7,603)	**—**
Proceeds from sales of investment securities	**123**	371	**1,151**
Proceeds from sale of investment in a subsidiary (Note 16)	**80**	—	**749**
Purchases of property and equipment	**(304)**	(239)	**(2,847)**
Proceeds from sales of property and equipment	**1,099**	323	**10,269**
Purchases of other investments and assets	**(639)**	(474)	**(5,972)**
Proceeds from sales of other investment and assets	**391**	384	**3,655**
Net cash provided by (used in) investing activities	**998**	(7,937)	**9,325**
FINANCING ACTIVITIES:			
Acquisition of treasury stock	**(2,318)**	(7,540)	**(21,665)**
Dividends paid	**(2,807)**	(2,058)	**(26,233)**
Proceeds from sales of treasury stock	**255**	45	**2,387**
Other—net	**(339)**	(61)	**(3,171)**
Net cash used in financing activities	**(5,209)**	(9,614)	**(48,682)**
FOREIGN CURRENCY TRANSLATION ADJUSTMENTS ON CASH AND CASH EQUIVALENTS	**(17)**	(5)	**(161)**
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	**989**	(7,057)	**9,241**
CASH AND CASH EQUIVALENTS OF NEWLY CONSOLIDATED SUBSIDIARIES	**4,646**	—	**43,420**
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	**11,226**	18,283	**104,919**
CASH AND CASH EQUIVALENTS, END OF YEAR	**¥16,861**	¥11,226	**$157,580**
NON-CASH INVESTING AND FINANCING ACTIVITIES:			
Convertible bonds converted into common stock	**—**	¥ 22	**—**

See notes to consolidated financial statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

YEARS ENDED MARCH 31, 2005 AND 2004

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

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 ¥107 to $1, the approximate rate of exchange at March 31, 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 consolidated financial statements as of March 31, 2005 include the accounts of the Company and its 13 (seven in 2004) subsidiaries (together, the “Group”).

The six additional companies were accounted for by the equity method until September 30, 2004 as a result of the Company’s acquisition of 28% of the total number of issued shares with voting rights of Drake Beam Morin-Japan, Inc. on January 15, 2004.

Those six companies were included in the scope of consolidation on October 1, 2004 as a result of the Company’s execution of a share exchange agreement with Drake Beam Morin-Japan, Inc. on that date, making Drake Beam Morin-Japan, Inc. a wholly owned subsidiary of the Company. Upon acquisition, the Company newly issued 3,800 thousand shares and allocated them to the shareholders of Drake Beam Morin-Japan, Inc. at a ratio of 0.75 shares of the Company for each one share of Drake Beam Morin-Japan, Inc. Consequently, the capital surplus increased by ¥6,820 million ($63,735 thousand) and the Company recognized consolidation goodwill of ¥5,340 million ($ 49,906 thousand).

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 company was accounted for by the equity method in the current year as a result of the establishment of a new joint venture company in China, ZHEJIANG MI High Technology Co., Ltd., with 49% interest in the total number of issued shares on July 1, 2004.

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

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 Group 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 March 31, 2005, the carrying amount of the land after the one-time revaluation exceeded the market value by ¥1,379 million ($12,894 thousand).

h. Goodwill

Certain consolidated foreign subsidiaries adopted the 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.

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 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.

3. SHORT-TERM INVESTMENTS AND INVESTMENT SECURITIES

Short-term investments and investment securities at March 31, 2005 and 2004 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2005	2004	**2005**
Short-term investments:			
Time deposits	**¥1,600**	¥2,000	**$14,953**
Debt securities	**—**	312	**—**
Other	**1,841**	1,299	**17,202**
Total	**¥3,441**	¥3,611	**$32,155**
Investment securities:			
Equity securities	**¥1,946**	¥ 743	**$18,190**
Debt securities	**199**	196	**1,862**
Other	**467**	—	**4,359**
Total	**¥2,612**	¥ 939	**$24,411**

Information regarding each category of securities classified as available-for-sale at March 31, 2005 and 2004 was as follows:

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**	**0**	**(0)**	**199**
Other	**1,849**	**4**	**(12)**	**1,841**

	Thousands of U.S. Dollars			
	Cost	Unrealized Gains	Unrealized Losses	Fair Value
Available-for-sale:				
Equity securities	**$ 4,360**	**$2,552**	**$ (19)**	**$ 6,893**
Debt securities	**1,860**	**3**	**(1)**	**1,862**
Other	**17,279**	**33**	**(110)**	**17,202**

March 31, 2004

	Millions of Yen			
	Cost	Unrealized Gains	Unrealized Losses	Fair Value
Available-for-sale:				
Equity securities	¥ 478	¥168	¥(0)	¥ 646
Debt securities	199	—	(3)	196
Other	1,447	20	(6)	1,461

Available-for-sale securities whose fair value was not readily determinable at March 31, 2005 and 2004 were as follows:

Carrying amount

	Millions of Yen		Thousands of U.S. Dollars
	2005	2004	**2005**
Equity securities	**¥1,209**	¥ 97	**$11,297**
Debt securities	**—**	—	**—**
Other	**466**	150	**4,360**
Total	**¥1,675**	¥247	**$15,657**

Proceeds from sales of available-for-sale securities for the years ended March 31, 2005 and 2004 were ¥523 million ($4,889 thousand) and ¥3,364 million, respectively. Gross realized gains and losses on these sales were ¥12 million ($109 thousand) and nil, respectively, for the year ended March 31, 2005, and ¥10 million and ¥34 million, respectively for the year ended March 31, 2004.

Contractual maturities for securities classified as available-for-sale at March 31, 2005 and 2004 were as follows:

	Millions of Yen	
	2005	2004
	Available-for-sale	Available-for-sale
Due in one year or less	**—**	¥ 100
Due after one year through five years	**¥1,200**	847
Due after five years through ten years	**200**	100
Total	**¥1,400**	¥1,047

March 31, 2005

	Thousands of U.S. Dollars
	Available-for-sale
Due after one year through five years	**$11,216**
Due after five years through ten years	**1,869**
Total	**$13,085**

4. INVENTORIES

Inventories at March 31, 2005 consisted mainly of work in process related to outplacement and engineering outsourcing. Inventories at March 31, 2004 consisted mainly of work in process related to engineering outsourcing.

5. LONG-TERM DEBT

At March 31, 2005 and 2004, the Company had loan commitments from seven banks and two insurance companies in an aggregate amount of ¥6,000 million ($56,075 thousand). There were no loans utilized and outstanding under these arrangements at March 31, 2005 and 2004.

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.

According to the enactment of the Defined Contribution Pension Plan Law in October 2001, a certain domestic subsidiary implemented a defined contribution pension plan as of the end of March 2004 by which the severance lump-sum payment plan was terminated. As a result, a part of liability for retirement benefits of ¥85 million was reversed to income and was recorded as reversal of liability for retirement benefits in the consolidated statement of income for the year ended March 31, 2004.

The liability for employees' retirement benefits at March 31, 2005 and 2004 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2005	2004	**2005**
Projected benefit obligation	**¥11,004**	¥10,022	**$102,840**
Fair value of plan assets	**(4,018)**	(3,738)	**(37,551)**
Unrecognized actuarial loss	**(2,412)**	(2,431)	**(22,543)**
Unrecognized prior service cost	**23**	26	**216**
Net liability	**4,597**	3,879	**42,962**
Prepaid pension cost	**—**	237	**—**
Liability for retirement benefits	**¥ 4,597**	¥ 4,116	**$ 42,962**

The components of net periodic retirement benefit costs for the years ended March 31, 2005 and 2004 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2005	2004	**2005**
Service cost	**¥ 884**	¥ 899	**$ 8,265**
Interest cost	**200**	185	**1,869**
Expected return on plan assets	**(56)**	(89)	**(524)**
Recognized actuarial loss	**364**	334	**3,402**
Amortization of prior service cost	**(3)**	(3)	**(31)**
Other	**73**	—	**683**
Net periodic retirement benefit costs	**1,462**	1,326	**13,664**
Reversal of liability for retirement benefits	**—**	(85)	**—**
Total	**¥1,462**	¥1,241	**$13,664**

Assumptions used for the years ended March 31, 2005 and 2004 were set forth as follows:

	2005	2004
Discount rate	**2.0%**	2.0%
Expected rate of return on plan assets	**2.5%**	2.5%
Amortization period of prior service cost	**10 years**	10 years
Recognition period of actuarial gain/loss	**10 years**	10 years

The liability for retirement benefits at March 31, 2005 for directors and corporate auditors was ¥54 million ($505 thousand). The retirement benefits for directors and corporate auditors are paid subject to the approval of the shareholders.

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.

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 ¥11,630 million ($ 108,691 thousand) and ¥9,771 million as of March 31, 2005 and March 31, 2004, respectively, based on the amount recorded in the parent company's general books of account.

During the year ended March 31, 2005, the Company retired treasury stock by decreasing retained earnings by ¥2,999 million ($28,027 thousand) and the number of shares authorized and issued by 775 thousand shares.

During the year ended March 31, 2004, the Company retired treasury stock by decreasing retained earnings by ¥7,004 million and the number of shares authorized and issued by 1,759 thousand shares.

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 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	129,000	From June 27, 2004	3,066
	Key employees		to June 26, 2012	
June 24, 2003	Directors	128,000	From June 25, 2005	4,166
	Key employees		to June 24, 2013	
June 24, 2004	Directors	111,000	From June 25, 2006	4,370
	Key employees		to June 24, 2008	

The stock options outstanding at March 31, 2005 were less than the above granted numbers due to forfeiture of rights.

The balance of treasury stock recorded in shareholders' equity at March 31, 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 impairment loss of ¥875 million ($8,175 thousand) 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 ($7,205 thousand), that included impairment loss of ¥389 million ($3,641 thousand) on goodwill held by such business, 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 normal effective statutory tax rates of approximately 40% and 42% for the years ended March 31, 2005 and 2004, respectively.

The tax effects of significant temporary differences which resulted in deferred tax assets and liabilities at March 31, 2005 and 2004 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2005	2004	**2005**
Deferred tax assets:			
Accrued bonuses	**¥2,128**	¥2,008	**$19,888**
Accrued social security on accrued bonuses	**228**	215	**2,134**
Retirement benefits	**1,776**	1,522	**16,600**
Enterprise taxes payable	**117**	375	**1,093**
Write-down of fixed assets	**—**	505	**—**
Impairment loss	**49**	56	**454**
Write-down of investment securities	**67**	67	**623**
Loss on revaluation of memberships	**46**	68	**432**
Write-down of goodwill	**418**	—	**3,907**
Loss on liquidation of foreign operations	**287**	—	**2,687**
Provision for loss on foreign operations	**37**	—	**345**
Other	**382**	245	**3,568**
Unrealized loss on available-for-sale securities	**6**	3	**52**
Valuation allowance	**(873)**	—	**(8,155)**
Total	**¥4,668**	¥5,064	**$43,628**
Deferred tax liabilities:			
Unrealized gain on available-for-sale securities	**¥ 126**	¥ 82	**$ 1,181**
Prepaid pension cost	**—**	94	**—**
Other	**14**	—	**137**
Total	**¥ 140**	¥ 176	**$ 1,318**
Net deferred tax assets	**¥4,528**	¥4,888	**$42,310**

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, 2005 and 2004 is as follows:

	2005	2004
Normal effective statutory tax rate	**40.0%**	42.0%
Expenses not deductible for income tax purposes	**0.2**	0.1
Revenues not recognized for income tax purposes	**(0.3)**	(0.1)
Per capita tax	**1.7**	1.1
Valuation allowance	**9.2**	—
Amortization of consolidation goodwill	**0.5**	—
Equity in losses of associated companies	**1.0**	—
Other—net	**0.0**	0.7
Actual effective tax rate	**52.3%**	43.8%

11. LEASES

The Group leases certain furniture and fixtures and other assets.

Total rental expenses under the above leases for the years ended March 31, 2005 and 2004 were ¥2 million ($23 thousand) and ¥4 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, 2005 and 2004 was as follows:

	Millions of Yen					
	2005			2004		
	Furniture and Fixtures	Other	Total	Furniture and Fixtures	Other	Total
Acquisition cost	**¥5**	**¥4**	**¥9**	¥16	¥4	¥20
Accumulated depreciation	**4**	**4**	**8**	14	3	17
Net leased property	**¥1**	**¥0**	**¥1**	¥ 2	¥1	¥ 3

	Thousands of U.S. Dollars		
	2005		
	Furniture and Fixtures	Other	Total
Acquisition cost	**$49**	**$41**	**$90**
Accumulated depreciation	**38**	**37**	**75**
Net leased property	**$11**	**$ 4**	**$15**

Obligations under finance leases at March 31, 2005 and 2004:

	Millions of Yen		Thousands of U.S. Dollars
	2005	2004	**2005**
Due within one year	**¥1**	¥3	**$13**
Due after one year	**0**	1	**1**
Total	**¥1**	¥4	**$14**

Depreciation expense, which was not reflected in the accompanying consolidated statements of income computed by the straight-line method, was ¥2 million ($23 thousand) and ¥4 million for the years ended March 31, 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 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**

	Thousands of U.S. Dollars		
	2005		
	Contract Amount	Fair Value	Unrealized Gain / Loss
Currency swap: (fixed rate receipt, floating rate payment)	**$16,738**	**$1,939**	**$1,939**

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 subsidiaries' 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, 2005 and 2004 is as follows:

	Millions of Yen	Thousands of Shares	Yen	U.S. Dollars
	Net income	Weighted average Shares	EPS	
Year Ended March 31, 2005:				
Basic EPS				
Net income available to common shareholders	**¥4,605**	**36,374**	**¥126.61**	**$1.18**
Effect of dilutive securities				
Warrants	**—**	**70**		
Diluted EPS				
Net income for computation	**¥4,605**	**36,444**	**¥126.37**	**$1.18**
Year Ended March 31, 2004:				
Basic EPS				
Net income available to common shareholders	¥ 6,571	35,384	¥ 185.69	
Effect of dilutive securities				
Warrants	—	23		
Convertible bonds	0	9		
Diluted EPS				
Net income for computation	¥ 6,571	35,416	¥ 185.52	

14. SUBSEQUENT EVENT

The following matter was approved at the Company's shareholders meeting held on June 23, 2005.

a. Appropriations of Retained Earnings

	Millions of Yen	Thousands of U.S. Dollars
Year-end cash dividends, ¥32 ($0.30) per share	**¥1,214**	**$11,342**
Bonuses to directors	**94**	**879**

15. 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 year ended March 31, 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 re-employment 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, 2005, is as follows:

a. Industry Segments

(1) Sales and Operating Income (loss)

	Millions of Yen				
	2005				
	Outsourcing	Training	Outplacement	Eliminations/ Corporate	Consolidated
Sales to customers	**¥74,538**	**¥2,510**	**¥2,072**		**¥79,120**
Intersegment sales	**3**	**—**	**16**	**¥ (19)**	**—**
Total sales	**74,541**	**2,510**	**2,088**	**(19)**	**79,120**
Operating expenses	**61,706**	**2,794**	**2,217**	**114**	**66,831**
Operating income (loss)	**¥12,835**	**¥ (284)**	**¥ (129)**	**¥(133)**	**¥12,289**

(2) Total Assets, Depreciation, and Capital Expenditures

	Millions of Yen				
	2005				
	Outsourcing	Training	Outplacement	Eliminations/ Corporate	Consolidated
Total assets	**¥67,149**	**¥3,425**	**¥11,485**	**¥(13,384)**	**¥68,675**
Depreciation	**1,021**	**63**	**55**	**—**	**1,139**
Capital expenditures	**638**	**105**	**39**	**—**	**782**

(1) Sales and Operating Income (loss)

	Thousands of U.S. Dollars				
	2005				
	Outsourcing	Training	Outplacement	Eliminations/ Corporate	Consolidated
Sales to customers	**$696,621**	**$23,462**	**$19,360**		**$739,443**
Intersegment sales	**27**	**—**	**153**	**$ (180)**	**—**
Total sales	**696,648**	**23,462**	**19,513**	**(180)**	**739,443**
Operating expenses	**576,688**	**26,116**	**20,718**	**1,068**	**624,590**
Operating income (loss)	**$119,960**	**$ (2,654)**	**$ (1,205)**	**$(1,248)**	**$114,853**

(2) Total Assets, Depreciation and Capital Expenditures

	Thousands of U.S. Dollars				
	2005				
	Outsourcing	Training	Outplacement	Eliminations/ Corporate	Consolidated
Total assets	**$627,557**	**$32,011**	**$107,334**	**$(125,081)**	**$641,821**
Depreciation	**9,543**	**587**	**517**	**—**	**10,647**
Capital expenditures	**5,965**	**981**	**369**	**—**	**7,315**

Notes: 1. Corporate operating expenses of ¥133 million ($1,248 thousand) in 2005, which are included in "Eliminations/Corporate," consist of amortization of consolidation goodwill.

2. Corporate assets of ¥5,206 million ($48,658 thousand) in 2005, which are included in "Eliminations/Corporate," consist of consolidation goodwill.

b. Geographical Segments

	Millions of Yen				
	2005				
	Japan	North America	China	Eliminations/ Corporate	Consolidated
Sales to customers	**¥76,605**	**¥2,510**	**¥ 5**	**—**	**¥79,120**
Inter-area transfer	**—**	**—**	**—**	**—**	**—**
Total sales	**76,605**	**2,510**	**5**	**—**	**79,120**
Operating expenses	**63,867**	**2,794**	**37**	**¥ 133**	**66,831**
Operating income (loss)	**¥12,738**	**¥ (284)**	**¥ (32)**	**¥ (133)**	**¥12,289**
Total assets	**¥70,082**	**¥3,325**	**¥125**	**¥(4,857)**	**¥68,675**

	Thousands of U.S. Dollars				
	2005				
	Japan	North America	China	Eliminations/ Corporate	Consolidated
Sales to customers	**$715,931**	**$23,462**	**$ 50**	**—**	**$739,443**
Inter-area transfer	**—**	**—**	**—**	**—**	**—**
Total sales	**715,931**	**23,462**	**50**	**—**	**739,443**
Operating expenses	**596,888**	**26,116**	**338**	**$ 1,248**	**624,590**
Operating income (loss)	**$119,043**	**$ (2,654)**	**$ (288)**	**$ (1,248)**	**$114,853**
Total assets	**$654,972**	**$31,074**	**$1,164**	**$(45,389)**	**$641,821**

Notes: 1. North America consists of the United States and Canada.
2. Corporate operating expenses of ¥133 million ($1,248 thousand), which are included in “Eliminations/Corporate,” consist of amortization of consolidation goodwill.
3. Corporate assets of ¥5,206 million ($48,658 thousand), which are included in “Eliminations/Corporate,” consist of consolidation goodwill.

c. Sales to Foreign Customers

	Millions of Yen		
	2005		
	North America	China	Total
Sales to foreign customers	**¥2,511**	**¥5**	**¥ 2,516**
Consolidated sales			**79,120**
The ratio of sales to foreign customers	**3.1%**	**0.0%**	**3.1%**

	Thousands of U.S. Dollars		
	2005		
	North America	China	Total
Sales to foreign customers	**$23,462**	**$50**	**$ 23,512**
Consolidated sales			**739,443**
The ratio of sales to foreign customers	**3.1%**	**0.0%**	**3.1%**

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

16. SUPPLEMENTAL CASH FLOW INFORMATION

(1) The following is a summary of the increase in assets and liabilities, following the acquisition of all shares of Drake Beam Morin-Japan, Inc., by stock exchange during the year ended March 31, 2005. The increase in "Capital surplus" by this stock exchange was ¥6,820 million ($63,735 thousand).

	Millions of Yen	Thousands of U.S. Dollars
Current assets	¥ 7,587	$ 70,910
Fixed assets	6,145	57,430
Total assets	13,732	128,340
Current liabilities	5,036	47,065
Long-term liabilities	99	928
Total liabilities	¥ 5,135	$ 47,993

(2) The following is a summary of the decrease in assets and liabilities, following the sales of all outstanding shares of MeiService Co., Ltd., a former subsidiary, during the year ended March 31, 2005.

	Millions of Yen	Thousands of U.S. Dollars
Current assets	¥253	$2,367
Fixed assets	3	22
Total assets	256	2,389
Current liabilities	50	471
Long-term liabilities	2	16
Total liabilities	¥ 52	$ 487

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Deloitte Touche Tohmatsu

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, 2005 and 2004, 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, 2005 and 2004, 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.

Deloitte Touche Tohmatsu

June 23, 2005

SUPPLEMENTAL NON-CONSOLIDATED BALANCE SHEETS <UNAUDITED>

MARCH 31, 2005 AND 2004

	Millions of Yen		Thousands of U.S. Dollars
ASSETS	**2005**	2004	**2005**
CURRENT ASSETS:			
Cash and cash equivalents	**¥12,165**	¥10,622	**$113,688**
Short-term investments	**3,441**	3,611	**32,155**
Notes and accounts receivable:			
Trade notes and accounts	**10,616**	9,961	**99,212**
Subsidiaries	**7**	1	**65**
Allowance for doubtful accounts	**(2)**	(2)	**(20)**
Inventories	**38**	57	**356**
Deferred tax assets	**2,098**	2,286	**19,605**
Prepaid expenses and other	**683**	627	**6,396**
Total current assets	**29,046**	27,163	**271,457**
PROPERTY AND EQUIPMENT:			
Land	**3,906**	3,906	**36,508**
Buildings and structures	**20,986**	21,002	**196,128**
Machinery and equipment	**184**	185	**1,722**
Furniture and fixtures	**3,255**	4,788	**30,420**
Total	**28,331**	29,881	**264,778**
Accumulated depreciation	**(12,748)**	(12,519)	**(119,137)**
Net property and equipment	**15,583**	17,362	**145,641**
INVESTMENTS AND OTHER ASSETS:			
Investment securities	**1,484**	939	**13,873**
Investments in subsidiaries and associated companies	**15,395**	8,421	**143,883**
Prepaid pension cost	**—**	237	**—**
Leasehold deposits	**788**	810	**7,369**
Deferred tax assets	**1,853**	2,107	**17,321**
Deferred tax asset for land revaluation	**630**	630	**5,884**
Other	**722**	1,325	**6,734**
Total investments and other assets	**20,872**	14,469	**195,064**
TOTAL	**¥65,501**	¥58,994	**$612,162**

The translations of Japanese yen amounts into U.S. dollar amounts have been made at the rate of ¥107 to $1, the approximate rate of exchange at March 31, 2005

LIABILITIES AND SHAREHOLDERS' EQUITY	Millions of Yen 2005	Millions of Yen 2004	Thousands of U.S. Dollars 2005
CURRENT LIABILITIES:			
Income taxes payable	**¥ 1,559**	¥ 3,933	**$ 14,566**
Deposits from subsidiaries	**3,581**	3,409	**33,469**
Accrued expenses	**6,153**	6,015	**57,507**
Other	**1,323**	1,689	**12,361**
Total current liabilities	**12,616**	15,046	**117,903**
LONG-TERM LIABILITIES:			
Liability for retirement benefits	**4,575**	4,091	**42,760**
Other	**—**	279	**—**
Total long-term liabilities	**4,575**	4,370	**42,760**
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	**157,251**
Capital surplus			
Additional paid-in capital	**15,481**	8,661	**144,678**
Other capital surplus	**—**	3	**—**
Retained earnings			
Legal reserve	**4,203**	4,203	**39,277**
Unappropriated	**14,445**	13,564	**135,004**
Land revaluation difference	**(944)**	(944)	**(8,826)**
Unrealized gain on available-for-sale securities	**180**	118	**1,693**
Treasury stock—at cost:			
478 thousand shares in 2005 and 743 thousand shares in 2004	**(1,881)**	(2,853)	**(17,578)**
Total shareholders' equity	**48,310**	39,578	**451,499**
TOTAL	**¥65,501**	¥58,994	**$612,162**

SUPPLEMENTAL NON-CONSOLIDATED STATEMENTS OF INCOME <UNAUDITED>

YEARS ENDED MARCH 31, 2005 AND 2004

	Millions of Yen		Thousands of U.S. Dollars
	2005	2004	**2005**
NET SALES	**¥61,110**	¥59,519	**$571,120**
COST OF SALES	**42,088**	40,928	**393,346**
Gross profit	**19,022**	18,591	**177,774**
SELLING, GENERAL AND ADMINISTRATIVE EXPENSES	**7,803**	7,833	**72,921**
Operating income	**11,219**	10,758	**104,853**
OTHER INCOME (EXPENSES):			
Interest and dividends	**448**	263	**4,184**
Gain (loss) on sales of marketable and investment securities—net	**12**	(24)	**109**
Gain on sale of investment in a subsidiary	**280**	—	**2,617**
Loss on sales and disposals of property and equipment—net	**(531)**	(141)	**(4,967)**
Loss on write-down of investment securities	**(16)**	(62)	**(147)**
Impairment loss	**—**	(121)	**—**
Other—net	**28**	(31)	**265**
Other income (expenses)—net	**221**	(116)	**2,061**
INCOME BEFORE INCOME TAXES	**11,440**	10,642	**106,914**
INCOME TAXES:			
Current	**4,186**	5,436	**39,124**
Deferred	**400**	(838)	**3,737**
Total income taxes	**4,586**	4,598	**42,861**
NET INCOME	**¥ 6,854**	¥ 6,044	**$ 64,053**

	Yen		U.S. Dollars
PER SHARE OF COMMON STOCK:			
Basic Net income	**¥185.84**	¥167.03	**$ 1.74**
Diluted net income	**185.48**	166.88	**1.73**
Cash dividends applicable to the year	**64.00**	78.00	**0.60**

Notes: 1. The translations of Japanese yen amounts into U.S. dollar amounts have been made at the rate of ¥107 to $1, the approximate rate of exchange at March 31, 2005.

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 36,373 thousand shares for 2005 and 35,384 thousand shares for 2004.

CORPORATE DATA

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	8,491
Employees (consolidated)	7,837
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.
- Japan Cast Inc.
- Meitec Global Solutions Inc.
- Three D Tec Inc.
- Information Management System Co., Ltd.
- Career-Masters Japan, Inc.
- Meitec Shanghai

Outplacement Business
- Drake Beam Morin-Japan, 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.

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

(March 31, 2005)

Executive Officers, Directors and Auditors

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

(July 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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