MEITEC
THE ENGINEERING OUTSOURCING® COMPANY

MEITEC CORPORATION

SEMIANNUAL REPORT 2003

Six months ended September 30, 2002

PROFILE

Based on the concept "Mutual Growth and Prosperity," Meitec Corporation has supported the engineering development of more than 4,000 companies through its Engineering Outsourcing (EO) services in Japan.

Meitec is the leader in the outsourcing industry, and plays a major role as its clients' alternate engineering division and personnel office. And to continue to develop alongside the industrial society, we launched "New VISION 21," our consolidated management plan in April 2000.

As the only EO company listed on the First Section of the Tokyo Stock Exchange, Meitec works to realize mutual growth and prosperity for its shareholders, clients and employees. While drawing on our history of creativity and challenge, we will continue to provide our clients with cutting-edge technologies.

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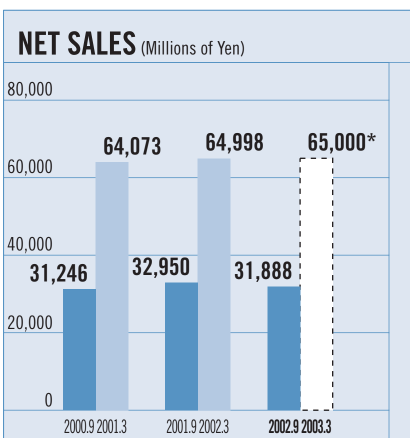
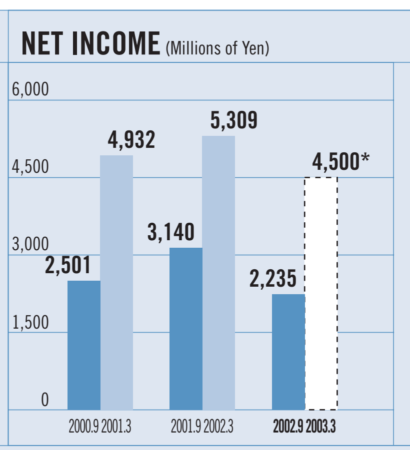
CONSOLIDATED FINANCIAL HIGHLIGHTS

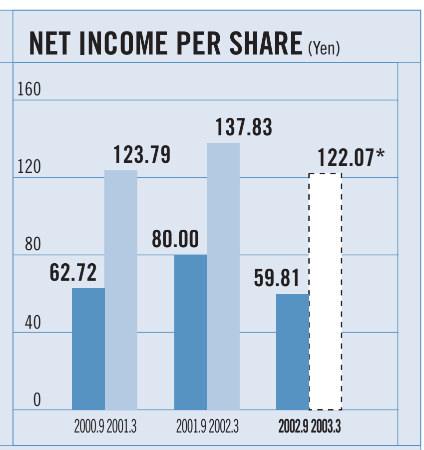
	Millions of Yen			Thousands of U.S. Dollars (Note 1)
	Six Months Ended September 30		Year Ended March 31	Six Months Ended September 30
	2002	2001	**2002**	**2002**
Net Sales	**¥31,888**	¥32,950	**¥64,998**	**$259,252**
Operating Income	**4,179**	5,348	**10,193**	**33,976**
Net Income	**2,235**	3,140	**5,309**	**18,171**
Total Assets	**61,369**	63,004	**61,927**	**498,935**
Total Shareholders' Equity	**43,699**	45,569	**44,877**	**355,276**
	Yen			U.S. Dollars
Per Share of Common Stock:				
Shareholders' Equity	**¥1,185.37**	¥1,192.26	**¥1,194.86**	**$9.64**
Cash Dividend	**19.00**	19.00	**42.50**	**0.15**
Net Income (Note 2)	**59.81**	80.00	**137.83**	**0.49**

Notes: 1. U.S. dollar amounts are translated from Japanese yen, for convenience only, at the rate of ¥123 to $1, the approximate exchange rate prevailing as of September 30, 2002.

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







*Figures for the period ending March 31, 2003, are forecast.

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 months ended September 30, 2002.

During the six months under review, some economic indicators showed improvement. However, overall business confidence remained weak. Meitec's principal customers, the manufacturing industries, have proceeded with restructuring in the form of inventory adjustments and rationalization of their labor forces. They have also made pronounced reductions in capital investment in comparison with last fiscal year, and are not proceeding with positive development investments. In the semiconductor industry, in particular, there were indications that market conditions were firming up in April, at the beginning of the period under review. This improvement was temporary, though, and there are few indications of a second-half recovery.

At the same time, though, some companies have brightened their prospects through restructuring efforts that have now been in progress for over a year. Some gradual resumption of development investment is visible, while a few companies have started positioning themselves for expansion. Orders received in the automobile and electronics industries have remained steady, but this does not reflect a uniform trend in these industries, as differences among individual companies began again to widen. Further, the trend in new orders from our client firms is toward more complex tasks, greater specialization, and quick placement.

Despite these market conditions, we achieved year-on-year sales growth in the principal client industries for our Engineering Outsourcing (EO) services—automobiles, electronics, aerospace and data processing. Sales in other fields, however, fell from the previous year. Looking at market conditions overall, the utilization ratio for ordinary technicians was generally in line with forecasts made at the beginning of the fiscal year ending March 31, 2003, but the utilization ratio for new graduates was 45%, well below the 55% initially predicted. As a result, the Company's total utilization ratio for the half was 88.7%, 1.0% lower than initially forecast.

One Meitec subsidiary, Japan Outsourcing Inc., was able to benefit from the demands for cost reductions made by Meitec customers, achieving increases in sales and operating income despite the harsh market conditions. Despite a year-on-year decline in sales, Japan Cast Inc. achieved growth in operating income through reductions in selling, general, and administrative expenses and other management efforts. Three D Tec Inc. returned to profitability in the first quarter in terms of operating income, but posted a small operating loss for the half.

As a result of these business developments, compared with the same period of the previous fiscal year, the Meitec Group's various business sectors performed as follows: consolidated net sales in the EO business fell 3.2% to ¥30,716 million (US$249,724 thousand), while consolidated net sales in the general outsourcing business fell 3.7% to ¥1,171 million (US$9,520 thousand).

Therefore, consolidated net sales fell 3.2% to ¥31,888 million (US$259,252 thousand), compared with the same period of the previous fiscal year. Consolidated operating income fell 21.9% to ¥4,179 million (US$33,976 thousand), and net income fell 28.8% to ¥2,235 million (US$18,171 thousand). Return on equity (ROE) was down 1.6 percentage points to 5.0% compared with the same period of the previous fiscal year.

The Company paid dividends of ¥19.0 (US$0.15) per share for the interim period, as was announced at the beginning of the period under review.

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

November 2002

Kosuke Nishimoto

Kosuke Nishimoto
President and Chief Executive Officer

The core business of the Meitec Group, comprising Meitec and its five subsidiaries, centers on Engineering Outsourcing* (EO) services and general outsourcing services that primarily target the manufacturing industry.

From the fiscal year ended March 31, 2001, the Meitec Group began pursuing a business development strategy aimed at meeting the needs of manufacturing companies for complete outsourcing operations in design and development by integrating the Group's marketing structure.

***Engineering Outsourcing is a registered trademark of Meitec Corporation and refers to an engineering service that provides design and development in such areas as machinery, electricity, electronics and computer software.**

Engineering Outsourcing Services

In addition to its own EO services, the companies that supplement Meitec's services are Japan Outsourcing (engineering outsourcing in technical fields different from Meitec's), 3D Tec (engineering outsourcing specializing in three-dimensional computer-aided design (3-D CAD) for such objects as experimental molds and dies), and IMS (engineering outsourcing focused on mount designs for printed circuit boards).

General Outsourcing Services

General outsourcing services refer to administrative outsourcing service handled by Japan Cast, and insurance agency and building management outsourcing service handled by MeiService Co., Ltd.

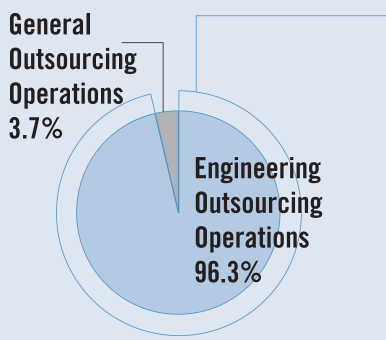
The Meitec Group's Complete Outsourcing Business Structure for the Manufacturing Industry

<table>
<tr><th colspan="6">MEITEC GROUP</th></tr>
<tr><td colspan="4">Engineering Outsourcing</td><td colspan="2">General Outsourcing</td></tr>
<tr><td rowspan="2">Meitec</td><td colspan="5">Subsidiaries</td></tr>
<tr><td>JO</td><td>3DT</td><td>IMS</td><td>JC</td><td>MS</td></tr>
</table>

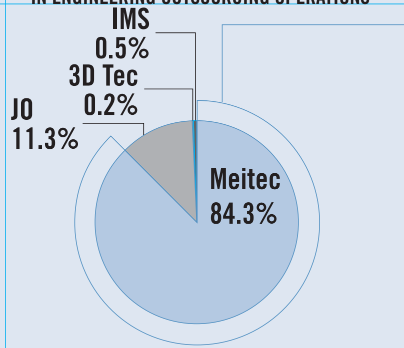
JO = Japan Outsourcing; 3DT = 3D Tec; JC = Japan Cast; MS = MeiService

Note: Other companies Meitec has invested in include IPTC Corporation, which provides semiconductor design information over the Internet, Fuji Technical Research, which handles consignment analysis and Web I Laboratories, Inc., a repository service provider. Meitec has positioned both companies as strategic affiliates.

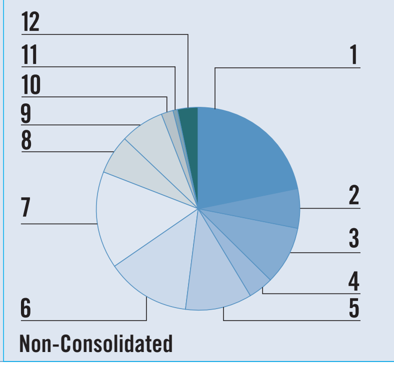
CONSOLIDATED REVENUES



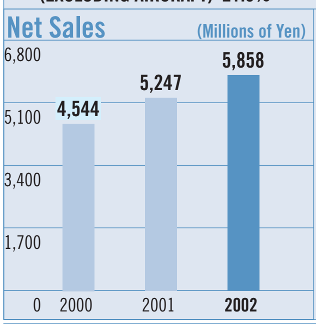
REVENUES BY GROUP COMPANY IN ENGINEERING OUTSOURCING OPERATIONS



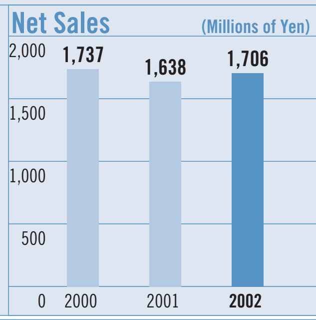
MEITEC REVENUES BY CUSTOMER



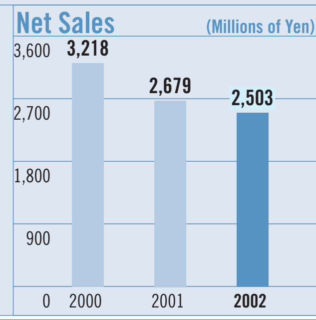
1 AUTOMOBILE/TRANSPORTATION EQUIPMENT (EXCLUDING AIRCRAFT) 21.8%



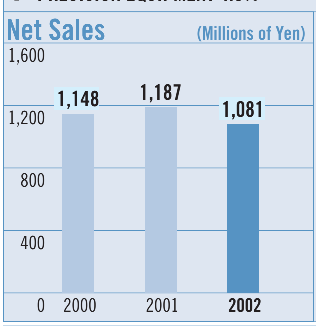
2 AIRCRAFT/ROCKETRY 6.3%



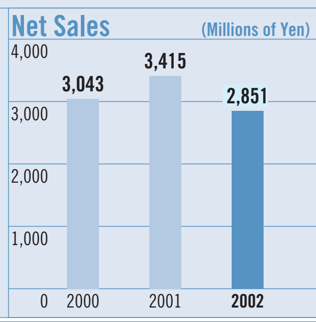
3 INDUSTRIAL MACHINERY/MACHINERY, EQUIPMENT AND SYSTEMS 9.3%



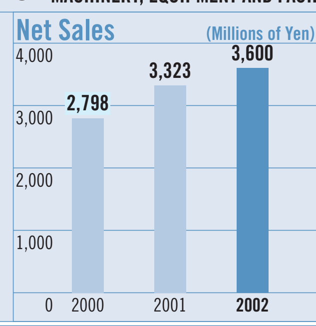
4 PRECISION EQUIPMENT 4.0%



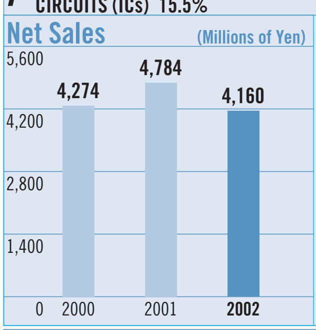
5 IT RELATED HARDWARE AND DEVICES 10.6%



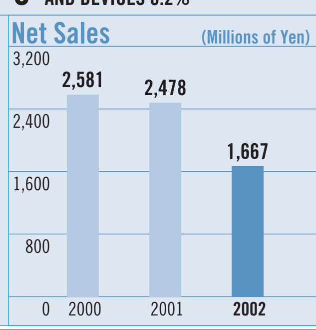
6 ELECTRIC AND ELECTRONIC/ELECTRIC MACHINERY, EQUIPMENT AND FACILITIES 13.4%



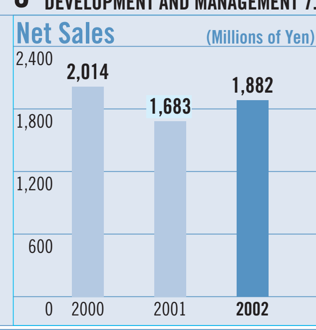
7 SEMICONDUCTORS AND INTEGRATED CIRCUITS (ICs) 15.5%



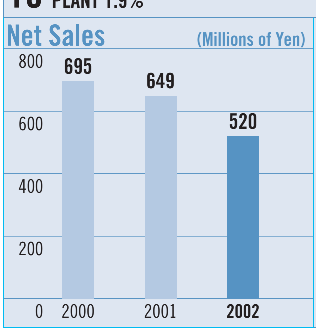
8 SEMICONDUCTOR EQUIPMENT AND DEVICES 6.2%



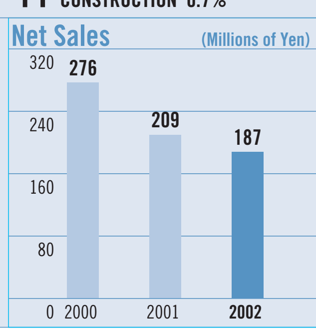
9 INFORMATION PROCESSING/SOFTWARE DEVELOPMENT AND MANAGEMENT 7.0%



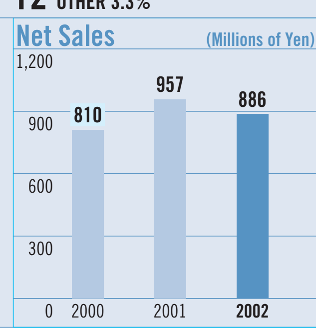
10 PLANT 1.9%



11 CONSTRUCTION 0.7%



12 OTHER 3.3%



SEMI-ANNUAL CONSOLIDATED BALANCE SHEETS <UNAUDITED>

SEPTEMBER 30, 2002 AND 2001

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
ASSETS	**2002**	2001	**2002**
CURRENT ASSETS:			
Cash and cash equivalents	**¥15,899**	¥14,693	**$129,260**
Short-term investments (Note 3)	**3,032**	3,489	**24,650**
Notes and accounts receivable:			
Trade notes and accounts	**9,817**	11,277	**79,813**
Allowance for doubtful accounts	**(10)**	(29)	**(81)**
Inventories (Note 4)	**246**	192	**2,000**
Deferred tax assets	**1,926**	1,601	**15,659**
Prepaid expenses and other current assets	**637**	900	**5,179**
Total current assets	**31,547**	32,123	**256,480**
PROPERTY AND EQUIPMENT:			
Land	**4,674**	4,759	**38,000**
Buildings and structures	**21,623**	21,799	**175,797**
Machinery and equipment	**185**	185	**1,504**
Furniture and fixtures	**6,173**	6,248	**50,187**
Total	**32,655**	32,991	**265,488**
Accumulated depreciation	**(11,675)**	(10,960)	**(94,919)**
Net property and equipment	**20,980**	22,031	**170,569**
INVESTMENTS AND OTHER ASSETS:			
Investment securities (Note 3)	**1,896**	2,287	**15,415**
Leasehold deposits	**854**	887	**6,943**
Golf and other membership	**152**	291	**1,236**
Deferred tax assets	**3,016**	2,610	**24,520**
Deferred tax asset for land revaluation	**1,460**	1,464	**11,870**
Other assets	**1,464**	1,311	**11,902**
Total investments and other assets	**8,842**	8,850	**71,886**
TOTAL	**¥61,369**	¥63,004	**$498,935**

See notes to semi-annual consolidated financial statements.

LIABILITIES AND SHAREHOLDERS' EQUITY	Millions of Yen 2002	Millions of Yen 2001	Thousands of U.S. Dollars (Note 1) 2002
CURRENT LIABILITIES:			
Short-term bank loans (Note 5)	**¥845**	¥866	**$6,870**
Current portion of long-term debt (Note 5)	**13**	89	**106**
Trade accounts payable	**3**	19	**24**
Income taxes payable	**2,385**	2,304	**19,390**
Accrued expenses	**6,313**	6,508	**51,325**
Other current liabilities	**1,316**	1,484	**10,699**
Total current liabilities	**10,875**	11,270	**88,414**
LONG-TERM LIABILITIES:			
Long-term debt (Note 5)	**43**	33	**350**
Liability for retirement benefits (Note 6)	**6,339**	5,226	**51,537**
Other	**357**	843	**2,902**
Total long-term liabilities	**6,739**	6,102	**54,789**
MINORITY INTERESTS	**56**	63	**455**
SHAREHOLDERS' EQUITY (Note 7):			
Common stock:			
Authorized: 147,884 thousand shares in 2002			
148,546 thousand shares in 2001			
Issued:			
38,052 thousand shares in 2002			
38,711 thousand shares in 2001	**16,812**	16,810	**136,683**
Additional paid-in capital	**8,647**	10,931	**70,301**
Retained earnings	**24,860**	22,219	**202,114**
Land revaluation difference	**(2,015)**	(2,021)	**(16,382)**
Unrealized loss on available-for-sale securities	**(259)**	(442)	**(2,106)**
Total	**48,045**	47,497	**390,610**
Treasury stock—at cost			
1,187 thousand shares in 2002 and 490 thousand shares in 2001	**(4,346)**	(1,928)	**(35,333)**
Total shareholders' equity	**43,699**	45,569	**355,277**
TOTAL	**¥61,369**	¥63,004	**$498,935**

SEMI-ANNUAL CONSOLIDATED STATEMENTS OF INCOME <UNAUDITED>

SIX-MONTH PERIODS ENDED SEPTEMBER 30, 2002 AND 2001

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2002	2001	**2002**
NET SALES	**¥31,888**	¥32,950	**$259,252**
COST OF SALES	**23,741**	23,484	**193,016**
Gross profit	**8,147**	9,466	**66,236**
SELLING, GENERAL AND ADMINISTRATIVE EXPENSES	**3,968**	4,118	**32,260**
Operating income	**4,179**	5,348	**33,976**
OTHER INCOME (EXPENSES):			
Interest and dividends	**12**	16	**98**
Interest expense	**(5)**	(6)	**(41)**
Gain on sale of marketable and investment securities	**3**	0	**24**
Write down of investment securities	**(159)**	—	**(1,293)**
Loss on sale and disposal of fixed assets	**(7)**	(27)	**(57)**
Reversal of liability for retirement benefits for directors and corporate auditors	**—**	102	**—**
Other—net	**(11)**	74	**(89)**
Other (expenses) income—net	**(167)**	159	**(1,358)**
INCOME BEFORE INCOME TAXES AND MINORITY INTERESTS	**4,012**	5,507	**32,618**
INCOME TAXES (Note 9):			
Current	**2,407**	2,332	**19,569**
Deferred	**(629)**	44	**(5,114)**
Total	**1,778**	2,376	**14,455**
MINORITY INTERESTS	**1**	9	**8**
NET INCOME	**¥2,235**	¥3,140	**$18,171**

	Yen		U.S. Dollars
PER SHARE OF COMMON STOCK (Note 2(n)):			
Net income	**¥59.81**	¥80.00	**$0.49**
Diluted net income	**59.78**	78.95	**0.49**
Cash dividends applicable to the six-month period	**19.00**	19.00	**0.15**

See notes to semi-annual consolidated financial statements.

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

YEAR ENDED MARCH 31 AND SIX-MONTH PERIOD ENDED SEPTEMBER 30, 2002

	Thousands	Millions of Yen					
	Outstanding Number of Shares of Common Stock	Common Stock	Additional Paid-in Capital	Retained Earnings	Land Revaluation Difference	Unrealized Loss on Available-for-sale Securities	Treasury Stock
BALANCE, APRIL 1, 2001	40,165	¥16,810	¥16,645	¥20,196	¥(2,249)	¥(271)	¥(1,367)
Net income	—	—	—	5,309	—	—	—
Cash dividends, ¥39 per share	—	—	—	(1,522)	—	—	—
Bonuses to directors and corporate auditors	—	—	—	(93)	—	—	—
Acquisition of treasury stock for retirement	(2,116)	—	(8,000)	—	—	—	
Net increase of treasury stock (138 thousand shares)	—	—	—	—	—	—	(563)
Reversal of land revaluation difference	—	—	—	(228)	228	—	—
Net change in unrealized loss on available-for-sale securities	—	—	—	—	—	(18)	—
BALANCE, MARCH 31, 2002	38,049	16,810	8,645	23,662	(2,021)	(289)	(1,930)
Net income	—	—	—	2,235	—	—	—
Cash dividends, ¥23.5 per share	—	—	—	(883)	—	—	—
Bonuses to directors and corporate auditors	—	—	—	(91)	—	—	—
Conversion of convertible bonds	3	2	2	—	—	—	
Net increase of treasury stock (696 thousand shares)	—	—	—	—	—	—	(2,416)
Reversal of land revaluation difference	—	—	—	(6)	6	—	—
Decrease due to newly consolidated subsidiary	—	—	—	(57)	—	—	—
Net change in unrealized loss on available-for-sale securities	—	—	—	—	—	(30)	—
BALANCE, SEPTEMBER 30, 2002	**38,052**	**¥16,812**	**¥8,647**	**¥24,860**	**¥(2,015)**	**¥(259)**	**¥(4,346)**

	Thousands of U.S. Dollars (Note 1)					
	Common Stock	Additional Paid-in Capital	Retained Earnings	Land Revaluation Difference	Unrealized Loss on Available-for-sale Securities	Treasury Stock
BALANCE, MARCH 31, 2002	$136,667	$70,285	$192,374	$(16,431)	$(2,350)	$(15,691)
Net income	—	—	18,171	—	—	—
Cash dividends, $0.19 per share	—	—	(7,179)	—	—	—
Bonuses to directors and corporate auditors	—	—	(740)	—	—	—
Conversion of convertible bonds	16	16	—	—	—	—
Net increase of treasury stock (696 thousand shares)	—	—	—	—	—	(19,642)
Reversal of land revaluation difference	—	—	(49)	49	—	—
Decrease due to newly consolidated subsidiary	—	—	(463)	—	—	—
Net change in unrealized loss on available-for-sale securities	—	—	—	—	(244)	—
BALANCE, SEPTEMBER 30, 2002	**$136,683**	**$70,301**	**$202,114**	**$(16,382)**	**$(2,106)**	**$(35,333)**

See notes to semi-annual consolidated financial statements.

SEMI-ANNUAL CONSOLIDATED STATEMENTS OF CASH FLOWS <UNAUDITED>

SIX-MONTH PERIODS ENDED SEPTEMBER 30, 2002 AND 2001

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2002	2001	**2002**
OPERATING ACTIVITIES:			
Income before income taxes	**¥4,012**	¥5,507	**$32,618**
Adjustments for:			
Income taxes—paid	**(1,548)**	(4,245)	**(12,585)**
Depreciation and amortization	**524**	591	**4,260**
Provision for retirement benefits	**414**	214	**3,366**
Payment of litigation settlement	**(293)**	—	**(2,382)**
Changes in assets and liabilities:			
Decrease in trade receivables	**537**	117	**4,366**
Increase in inventories	**(91)**	(56)	**(740)**
Increase in accrued expenses	**6**	223	**49**
Decrease in other liabilities	**(290)**	(393)	**(2,358)**
Other—net	**242**	(201)	**1,967**
Total adjustments	**(499)**	(3,750)	**(4,057)**
Net cash provided by operating activities	**3,513**	1,757	**28,561**
INVESTING ACTIVITIES:			
Purchases of short-term investments	**(2,804)**	(3,832)	**(22,796)**
Proceeds from sale of short-term investments	**3,524**	1,948	**28,650**
Acquisition of property and equipment	**(82)**	(66)	**(667)**
Proceeds from sale of property and equipment	**76**	504	**618**
Purchases of investment securities	**(60)**	(225)	**(488)**
Acquisition of other assets	**(330)**	(297)	**(2,683)**
Other—net	**376**	142	**3,057**
Net cash provided by (used in) investing activities	**700**	(1,826)	**5,691**
FINANCING ACTIVITIES:			
Increase (decrease) in short-term bank loans—net	**47**	(44)	**382**
Repayments of long-term debt	**(52)**	(204)	**(423)**
Acquisition of treasury stock	**(2,417)**	(573)	**(19,650)**
Dividends paid	**(883)**	(796)	**(7,179)**
Acquisition of treasury stock for retirement	**—**	(5,714)	**—**
Other—net	**0**	13	**0**
Net cash used in financing activities	**(3,305)**	(7,318)	**(26,870)**
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	**908**	(7,387)	**7,382**
CASH AND CASH EQUIVALENTS OF NEWLY CONSOLIDATED SUBSIDIARY	**11**	—	**89**
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD	**14,980**	22,080	**121,789**
CASH AND CASH EQUIVALENTS, END OF PERIOD	**¥15,899**	¥14,693	**$129,260**
NON-CASH FINANCING ACTIVITIES:			
Convertible bonds converted into common stock and additional paid-in capital	**¥4**	¥—	**$33**

See notes to semi-annual 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 and practices generally accepted in Japan, which are different in certain respects as to application and disclosure requirements of International Accounting Standards. The semi-annual consolidated financial statements are not intended to present the financial position, results of operations and cash flows in accordance with accounting principles and practices generally accepted in countries and jurisdictions other than Japan.

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 that is more familiar to readers outside Japan.

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 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 ¥123 to $1, the approximate rate of exchange at September 30, 2002. 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.

Certain reclassifications have been made in the 2001 semi-annual consolidated financial statements to conform to the classifications used in 2002.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Consolidation

The semi-annual consolidated financial statements for the six-month periods ended September 30, 2002 and 2001 include the accounts of the Company and its five (four in 2001) subsidiaries (together the “Group”).

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 charged to income when incurred. All significant intercompany balances and transactions have been eliminated in consolidation.

(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 and certificate of deposits, all of which mature or become due within three months of the date of acquisition.

(c) Inventories

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

(d) Marketable and Investment Securities

Marketable and investment securities are classified and accounted for, depending on management’s intent, as follows:

i) 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 ii) 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) Other Assets

Intangible assets are carried at cost less accumulated amortization, which is calculated by the straight-line method principally over 5 to 15 years.

(g) Land Revaluation

Under the "Law of Land Revaluation", promulgated on March 31, 1998 and revised on March 31, 1999, 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 is no effect on the consolidated statement of income. Due to sales of related land, the land revaluation loss decreased during the six-month period ended September 30, 2002. The details of the one-time revaluation for land remaining at September 30, 2002 were as follows:

Land before revaluation:	¥8,149 million
Land after revaluation:	¥4,674 million
Land revaluation difference:	¥2,015 million (net of deferred tax assets of ¥1,460 million)

At September 30, 2002, the carrying amount of the land after the one-time revaluation exceeded the market value by ¥1,050 million ($8,537 thousand).

(h) 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.

Prior to July 1, 2001, retirement benefits for directors and corporate auditors were recorded to state the liability at the amount that would be paid if all directors and corporate auditors retired at each balance sheet date.

Effective July 1, 2001, based on the amendment of the Articles of Incorporation, the Group ceased recognition of the retirement benefits for directors and corporate auditors. As a result, a reversal of the liability for retirement benefits for directors and corporate auditors of ¥102 million was recognized as other income in the consolidated statement of income for the six-month period ended September 30, 2001.

(i) Allowance for Pending Litigation

Prior to June 5, 2002, an allowance for pending litigation was provided based on the details of the judicial decisions or other aspects of the claim. The former director of the Company had filed a claim against the Company for payment of remuneration. The amount of the allowance for pending litigation included in other long-term liabilities was ¥463 million at September 30, 2001.

On June 5, 2002, the Company agreed with the former director on an out-of-court settlement to pay ¥320 million. As a result, allowance for pending litigation of ¥293 million at March 31, 2002 was reversed and the remaining ¥27 million ($220 thousand) was recognized as other expense in the consolidated statement of income for the six-month period ended September 30, 2002.

(j) 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.

(k) 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.

(l) Appropriations of Retained Earnings

Appropriations of retained earnings are reflected in the financial statements for the following year upon shareholders' approval.

(m) 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.

(n) Per Share Information

The computation of net income per share is based on the weighted-average number of shares of common stock outstanding during each period, retroactively adjusted for stock splits. The average number of common shares used in the computation was 37,361 thousand shares for 2002 and 39,254 thousand shares for 2001.

Diluted net income per share of common stock assumes full exercise of outstanding stock option and full conversion of the outstanding convertible bonds at the beginning of the six-month period (or at the time of issuance, if later) with an applicable adjustment for interest expense, net of tax.

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, 2002 and 2001 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2002	2001	**2002**
Short-term investments:			
Time deposits	**¥2,020**	¥3,089	**$16,423**
Debt securities	**300**	400	**2,439**
Other	**712**	—	**5,788**
Total	**¥3,032**	¥3,489	**$24,650**
Investment securities:			
Equity securities	**¥812**	¥1,408	**$6,602**
Debt securities	**509**	202	**4,138**
Other	**575**	677	**4,675**
Total	**¥1,896**	¥2,287	**$15,415**

Information regarding each category of securities classified as available-for-sale and held-to-maturity at September 30, 2002 and 2001 was as follows:

September 30, 2002

	Millions of Yen			
	Cost	Unrealized Gains	Unrealized Losses	Fair Value
Available-for-sale:				
Equity securities	**¥671**	**¥—**	**¥(91)**	**¥580**
Debt securities	**610**	**—**	**(3)**	**607**
Other	**1,655**	**13**	**(381)**	**1,287**
Held-to-maturity	**202**	**—**	**—**	**202**

	Thousands of U.S. Dollars			
	Cost	Unrealized Gains	Unrealized Losses	Fair Value
Available-for-sale:				
Equity securities	**$5,455**	**$—**	**$(740)**	**$4,715**
Debt securities	**4,959**	**—**	**(24)**	**4,935**
Other	**13,455**	**106**	**(3,098)**	**10,463**
Held-to-maturity	**1,642**	**—**	**—**	**1,642**

September 30, 2001

	Millions of Yen			
	Cost	Unrealized Gains	Unrealized Losses	Fair Value
Available-for-sale:				
Equity securities	¥1,535	¥41	¥(387)	¥1,189
Other	1,101	—	(424)	677
Held-to-maturity	602	—	(2)	600

Available-for-sale securities whose fair value was not readily determinable at September 30, 2002 and 2001 were as follows:

	Carrying Amount		
	Millions of Yen		Thousands of U.S. Dollars
	2002	2001	**2002**
Equity securities	**¥232**	¥219	**$1,887**
Total	**¥232**	¥219	**$1,887**

4. INVENTORIES

Inventories at September 30, 2002 and 2001 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, 2002 and 2001 consisted mainly of loan agreements with banks. The annual interest rates applicable to the short-term bank loans ranged from 0.37% to 0.50% and 0.36% to 0.49% at September 30, 2002 and 2001, respectively.

Long-term debt at September 30, 2002 and 2001 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2002	2001	**2002**
Unsecured 3.2% yen convertible bonds, due on March 31, 2004	**¥29**	¥33	**$236**
Loans from banks, due serially to 2005 with interest rates ranging from 1.70% to 2.43% (2002) and from 1.66% to 1.68% (2001)	**27**	89	**220**
Total	**56**	122	**456**
Less current portion	**(13)**	(89)	**(106)**
Long-term debt, less current portion	**¥43**	¥33	**$350**

Additional information with respect to the Company's convertible bonds is as follows:

	3.2% Yen Convertible Bonds
Issued on	March 15, 1995
Initial principal	¥8,000 million
Type of issue	Public
Maturity	March 31, 2004
Term of conversion	From April 3, 1995 to March 30, 2004
Conversion price (per share*) at September 30, 2002	¥1,394
Balance of debt securities at September 30, 2002	¥29 million
Accumulated number of shares issued upon conversion through September 30, 2002	5,717,964 shares
Number of additional shares that would be issued upon conversion at September 30, 2002	20,803 shares

(*) Subject to adjustment for subsequent stock splits and other circumstances.

The unsecured 3.2% yen convertible bond agreements contain restrictions with respect to payments of dividends. The details are described in Note 7.

Annual maturities of long-term debt at September 30, 2002 were as follows:

Year Ending September 30	Millions of Yen	Thousands of U.S. Dollars
2003	**¥13**	**$106**
2004	**39**	**317**
2005	**4**	**33**
Total	**¥56**	**$456**

6. RETIREMENT AND PENSION PLAN

The Group has severance payment plans for employees.

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. If the termination is involuntary, caused by retirement at the mandatory retirement age or caused by death, or certain other causes, the employee is entitled to greater payment than in the case of voluntary termination.

Effective July 1, 2001, based on the amendment of the Articles of Incorporation, the Group eliminated the retirement benefits to directors and corporate auditors. Accordingly, the liability for retirement benefits for directors and corporate auditors was reversed (See Note 2).

7. SHAREHOLDERS' EQUITY

Japanese companies are subject to the Code to which certain amendments became effective from October 1, 2001.

Prior to October 1, 2001, the Code required at least 50% of the issue price of new shares, with a minimum of the par value thereof, to be designated as stated capital as determined by resolution of the Board of Directors. Proceeds in excess of amounts designated as stated capital were credited to additional paid-in capital. Effective October 1, 2001, the Code was revised and common stock par values were eliminated resulting in all shares being recorded with no par value.

Prior to October 1, 2001, the Code also provided that an amount at least equal to 10% of the aggregate amount of cash dividends and certain other cash payments which are made as an appropriation of retained earnings applicable to each fiscal period shall be appropriated and set aside as a legal reserve until such reserve equals 25% of stated capital. Effective October 1, 2001, the revised Code allows for such appropriations to be set aside as a legal reserve until the total additional paid-in capital and legal reserve equals 25% of stated capital. The amount of total additional paid-in capital and legal reserve which exceeds 25% of stated capital can be transferred to retained earnings by resolution of the shareholders, which may be available for dividends. The Company's legal reserve amount, which was included in retained earnings, totaled ¥4,203 million ($34,171 thousand) at September 30, 2002 and 2001.

Under the Code, companies may issue new common shares to existing shareholders without consideration as a stock split pursuant to a resolution of the Board of Directors. Prior to October 1, 2001, the amount calculated by dividing the total amount of shareholders' equity by the number of outstanding shares after the stock split could not be less than ¥50. The revised Code eliminated this restriction.

Prior to October 1, 2001, the Code imposed certain restrictions on the repurchase and use of treasury stock. Effective October 1, 2001, the Code eliminated these restrictions allowing companies to repurchase treasury stock by a resolution of the shareholders at the general shareholders' meeting and dispose of such treasury stock by resolution of the Board of Directors after March 31, 2002. The repurchased amount of treasury stock cannot exceed the amount available for future dividends plus the amounts of stated capital, additional paid-in capital or legal reserve to be reduced in the case where such reduction was resolved at the general shareholders' meeting.

The Code permits companies to transfer a portion of additional paid-in capital and legal reserve to stated capital by resolution of the Board of Directors. The Code also permits companies to transfer a portion of unappropriated retained earnings, available for dividends, to stated capital by resolution of the shareholders.

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

During the six-month period ended September 30, 2002, ¥4 million ($33 thousand) of the unsecured 3.2% yen convertible bonds due March 31, 2004 were converted into 2,868 shares of the Company's common stock. The effect of the conversion of the convertible bonds was to increase both common stock and additional paid-in capital by ¥2 million ($16 thousand), respectively. During the six-month period ended September 30, 2001, none of the convertible bonds were converted into shares of the Company's common stock.

Under the terms of unsecured 3.2% yen convertible bonds, the Company's cash dividend payments (including interim cash dividends) are restricted. The amount available for dividends is calculated on a cumulative basis to an amount not to exceed the accumulated net income earned since March 31, 1995, excluding certain other income and expenses and corporate and inhabitant taxes, plus ¥500 million ($4,065 thousand). However, under the Code, the maximum amount available for dividends is based on retained earnings as recorded on the Company's books.

During the six-month period ended September 30, 2002, the Company purchased 696 thousand shares of its common stock for ¥2,417 million ($19,650 thousand) to prepare for exercise of stock options.

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 to provide an added incentive to achieve good business results. 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 and key employees	121,500	From June 27, 2000 to June 26, 2008	¥5,530
June 29, 1999	Directors and key employees	118,500	From June 30, 2001 to June 29, 2009	¥3,997
June 29, 2000	Directors and key employees	141,000	From June 30, 2002 to June 29, 2010	¥4,280
June 26, 2001	Directors and key employees	139,000	From June 27, 2003 to June 26, 2011	¥4,280
June 25, 2002[*1]	Directors and key employees	136,000	From June 27, 2004 to June 26, 2012	¥3,066

[*1] This stock option was actually granted as of October 1, 2002.

The stock options outstanding at September 30, 2002 were less than the above granted numbers due to forfeiture of rights.

The balance of treasury stock recorded in shareholders' equity at September 30, 2002 and 2001 included treasury stock purchased for the purpose of reissuance in connection with the expected stock options exercised under the above plans.

9. INCOME TAXES

The Group is subject to Japanese national and local income taxes which, in the aggregate, resulted in a normal effective statutory tax rate of approximately 42% for the six-month periods ended September 30, 2002 and 2001.

10. LEASES

The Group leases certain furniture and fixtures and other assets.

Total rental expenses under the above leases for the six-month periods ended September 30, 2002 and 2001 were ¥3 million ($24 thousand) and ¥15 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, 2002 and 2001 was as follows:

	Millions of Yen					
	2002			2001		
	Furniture and Fixtures	Other	Total	Furniture and Fixtures	Other	Total
Acquisition cost	**¥32**	**¥4**	**¥36**	¥126	¥13	¥139
Accumulated depreciation	**23**	**0**	**23**	103	9	112
Net leased property	**¥9**	**¥4**	**¥13**	¥23	¥4	¥27

	Thousands of U.S. Dollars		
	2002		
	Furniture and Fixtures	Other	Total
Acquisition cost	**$260**	**$33**	**$293**
Accumulated depreciation	**187**	**0**	**187**
Net leased property	**$73**	**$33**	**$106**

Obligations under finance leases at September 30, 2002 and 2001:

	Millions of Yen		Thousands of U.S. Dollars
	2002	2001	**2002**
Due within one year	**¥7**	¥18	**$57**
Due after one year	**6**	9	**49**
Total	**¥13**	¥27	**$106**

Depreciation expense, which was not reflected in the accompanying semi-annual consolidated statements of income computed by the straight-line method, was ¥3 million ($24 thousand) and ¥15 million for the six-month periods ended September 30, 2002 and 2001, respectively.

SUPPLEMENTAL SEMI-ANNUAL NON-CONSOLIDATED BALANCE SHEETS <UNAUDITED>

SEPTEMBER 30, 2002 AND 2001

	Millions of Yen		Thousands of U.S. Dollars
ASSETS	**2002**	2001	**2002**
CURRENT ASSETS:			
Cash and cash equivalents	**¥15,604**	¥14,293	**$126,862**
Short-term investments	**3,012**	3,400	**24,488**
Notes and accounts receivable:			
Trade notes and accounts	**8,624**	10,058	**70,113**
Allowance for doubtful accounts	**(2)**	(21)	**(16)**
Inventories	**245**	192	**1,992**
Deferred tax assets	**1,640**	1,410	**13,333**
Prepaid expenses and other current assets	**593**	870	**4,821**
Total current assets	**29,716**	30,202	**241,593**
PROPERTY AND EQUIPMENT:			
Land	**4,674**	4,759	**38,000**
Buildings and structures	**21,590**	21,761	**175,528**
Machinery and equipment	**185**	185	**1,504**
Furniture and fixtures	**6,072**	6,159	**49,366**
Total	**32,521**	32,864	**264,398**
Accumulated depreciation	**(11,603)**	(10,900)	**(94,333)**
Net property and equipment	**20,918**	21,964	**170,065**
INVESTMENTS AND OTHER ASSETS:			
Investment securities	**1,893**	2,282	**15,390**
Investments in subsidiaries	**766**	680	**6,228**
Leasehold deposits	**769**	777	**6,252**
Golf and other membership	**117**	252	**951**
Deferred tax assets	**2,925**	2,535	**23,781**
Deferred tax asset for land revaluation	**1,460**	1,464	**11,870**
Other assets	**1,402**	1,264	**11,398**
Total investments and other assets	**9,332**	9,254	**75,870**
TOTAL	**¥59,966**	¥61,420	**$487,528**

The translations of Japanese yen amounts into U.S. dollar amounts have been made at the rate of ¥123 to $1, the approximate rate of exchange at September 30, 2002.

LIABILITIES AND SHAREHOLDERS' EQUITY	Millions of Yen 2002	Millions of Yen 2001	Thousands of U.S. Dollars 2002
CURRENT LIABILITIES:			
Short-term bank loans	**¥845**	¥866	**$6,870**
Income taxes payable	**2,105**	2,246	**17,114**
Accrued expenses	**5,356**	5,598	**43,544**
Deposits received	**2,613**	1,988	**21,244**
Other current liabilities	**937**	978	**7,618**
Total current liabilities	**11,856**	11,676	**96,390**
LONG-TERM LIABILITIES:			
Long-term debt	**29**	33	**236**
Liability for retirement benefits	**6,103**	5,033	**49,618**
Other	**357**	843	**2,902**
Total long-term liabilities	**6,489**	5,909	**52,756**
SHAREHOLDERS' EQUITY:			
Common stock:			
Authorized: 147,884 thousand shares in 2002			
148,546 thousand shares in 2001			
Issued and outstanding:			
38,052 thousand shares in 2002			
38,711 thousand shares in 2001	**16,812**	16,810	**136,683**
Additional paid-in capital	**8,647**	10,931	**70,301**
Retained earnings	**22,781**	20,485	**185,211**
Land revaluation difference	**(2,015)**	(2,021)	**(16,382)**
Unrealized loss on available-for-sale securities	**(258)**	(442)	**(2,098)**
Total shareholders' equity	**45,967**	45,763	**373,715**
Treasury stock—at cost			
1,187 thousand shares in 2002 and 490 thousand shares in 2001	**(4,346)**	(1,928)	**(35,333)**
Total shareholders' equity	**41,621**	43,835	**338,382**
TOTAL	**¥59,966**	¥61,420	**$487,528**

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

SIX-MONTH PERIODS ENDED SEPTEMBER 30, 2002 AND 2001

	Millions of Yen		Thousands of U.S. Dollars
	2002	2001	**2002**
NET SALES	**¥26,902**	¥28,250	**$218,716**
COST OF SALES	**19,816**	19,748	**161,106**
Gross profit	**7,086**	8,502	**57,610**
SELLING, GENERAL AND ADMINISTRATIVE EXPENSES	**3,355**	3,497	**27,277**
Operating income	**3,731**	5,005	**30,333**
OTHER INCOME (EXPENSES):			
Interest and dividends	**190**	99	**1,545**
Interest expense	**(5)**	(5)	**(41)**
Loss on sale and disposal of fixed assets	**(4)**	(21)	**(32)**
Reversal of liability for retirement benefits for directors and corporate auditors	**—**	93	**—**
Write down of investment securities	**(159)**	—	**(1,293)**
Other—net	**2**	23	**16**
Other income (expenses)—net	**24**	189	**195**
INCOME BEFORE INCOME TAXES	**3,755**	5,194	**30,528**
INCOME TAXES:			
Current	**2,129**	2,277	**17,309**
Deferred	**(534)**	(71)	**(4,342)**
Total	**1,595**	2,206	**12,967**
NET INCOME	**¥2,160**	¥2,988	**$17,561**

	Yen		U.S. Dollars
PER SHARE OF COMMON STOCK:			
Net income	**¥57.81**	¥76.13	**$0.47**
Diluted net income	**57.79**	76.09	**0.47**
Cash dividends applicable to the six-month period	**19.00**	19.00	**0.15**

The translations of Japanese yen amounts into U.S. dollar amounts have been made at the rate of ¥123 to $1, the approximate rate of exchange at September 30, 2002.

(AS OF SEPTEMBER 30, 2002)

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: 147,883,500 shares Issued: 38,051,641 shares
Shareholders	5,971
Employees (Consolidated)	7,297
Lines of Business	Providing engineering services to major Japanese manufacturing companies in the fields of high-technology research and development
Consolidated Subsidiaries	Japan Outsourcing Inc. Japan Cast Inc. MeiService Co., Ltd. Three D Tec Inc. Information Management System Co., Ltd.

Board of Directors and Auditors

President and Chief Executive Officer	Kosuke Nishimoto
Executive Managing Director	Hiroshi Kousaka
Senior Managing Director	Takashi Yamori
Directors	Yoshinori Takamine Toyoki Terao Kanji Fukuda
Auditors	Toshio Saikusa Masatoshi Saito* Kiyoshi Mamizu*

Note: Auditors with an asterisk are external auditors required by the Japanese Commercial Code's Special Law, Article 18, Section 1.

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 rates, as well as financial reports, interim reports, quarterly reports and performance-adjustment announcements.

MAIN CONTENTS

- Business Performance
- Stock Price
- Financial Results and Announcements
- Annual Report

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

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