Annual Report 2013

Year ended March 31, 2013

PEOPLE AND TECHNOLOGY
LEADING THE WAY TO THE FUTURE

MEITEC
THE ENGINEERING OUTSOURCING® COMPANY

What is Meitec?

The Leading Company in Its Industry

Since its establishment as an engineers staffing company in 1974, Meitec has helped develop technologies at over 4,000 manufacturers, as the leading company in the industry for nearly 40 years.

About 7,000 Engineers (in the Meitec Group)

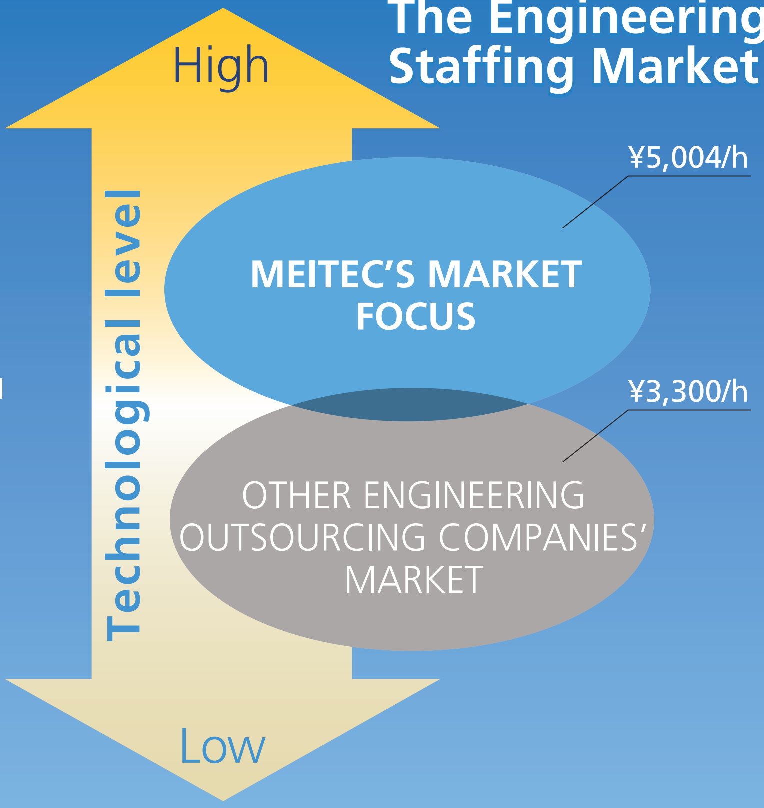
Meitec is Japan's largest engineers staffing group, with approximately 7,000 regularly employed engineers, who are engaged in design and development of such products as machinery, electrical and electronic products and semiconductor design in all manufacturing industries, including electric machinery producers and carmakers.

Serving Highly Technological Domains

Meitec, with its outstanding expertise in the engineering staffing market, virtually dominates areas that require a high technological level. The average hourly billing rate per Meitec engineer is ¥5,004*[1], compared with the market average of about ¥3,300*[2].

*[1] Meitec's actual results in the year ended March 2013
*[2] The Company's estimate

The Engineering Staffing Market



Contents

Forward-Looking Statements

The projected Meitec results, management strategies, and beliefs about the future presented in this Annual Report 2013 are based on Meitec determinations obtained from information available at the time of writing. Readers are requested to be aware of the potential for a large discrepancy between the forecasts contained here and actual business results, as these predictions contain elements of uncertainty as well as known and unknown risks.

Group Management Concept

Mutual Growth & Prosperity

Core Concept

Using engineering outsourcing (EO) services and management resources (people and information) to continue developing in step with industry and society

Basic Policy on Company Management

The MEITEC Group, based on its group management concept "Mutual Growth & Prosperity", will maximize the corporate value of our group originating from the value provided to our employees.

1 Value to Employees

Continue to provide opportunities and placement for all professional engineers.

2 Value to Customers

To be a "reliable strategic partner" for Japanese manufacturers who are undergoing major changes.

3 Value to Shareholders

To be a company which maximize mid and long-term shareholders return by realizing sustainable growth.

4 Value to the Society

To be a pioneer to create a professional labor market in Japan, through establishing a career style of "lifetime professional engineers".

Looking at the Japanese economy during the fiscal year ended March 31, 2013, it remained highly uncertain until the third quarter, due to such macroeconomic factors as the European sovereign debt crisis, China's economic slowdown, and the ongoing appreciation of the yen. In the fourth quarter, growing expectation of a break in deflation due to the economic stimulus package of the new administration after the end of the calendar year 2012 triggered depreciation of the yen and simultaneously a rise in stock prices, both of which have raised hopes for economic recovery. However, no significant changes can be observed in the real economy yet. Despite these economic conditions, many leading manufacturers, who are also our prime customers, continued to carry out their investments in technological development disregarding the current economic trends, aiming at next generation innovation. This became even more evident as MEITEC CORPORATION (the Company) experienced no significant changes in orders received and working hours between the period until the third quarter and during the fourth quarter. Our temporary engineer staffing business was well positioned to benefit from customer trends which let us steadily improve the utilization ratio.

As a result, regarding consolidated business performance for the fiscal year ended March 31, 2013, the Company achieved revenue growth and profit increase. Compared with the previous fiscal year, the Company marked a consolidated net sales increase of 5.0% to ¥70,330 million, an operating income increase of 16.6% to ¥6,354 million, and an ordinary income increase of 16.2% to ¥6,427 million. Meanwhile, net income increased 112.0% to ¥5,993 million year on year, due to a temporary decrease in tax expenses.

As expectations for economic recovery heighten, and we steadily prepare for that, including any unexpected shift in economic trends, we will make ongoing efforts to improve our business performance on a groupwide basis to meet the expectations of our shareholders.

I would like to express my sincere appreciation for your further understanding and support to our group.

Kosuke Nishimoto
President, CEO and COO

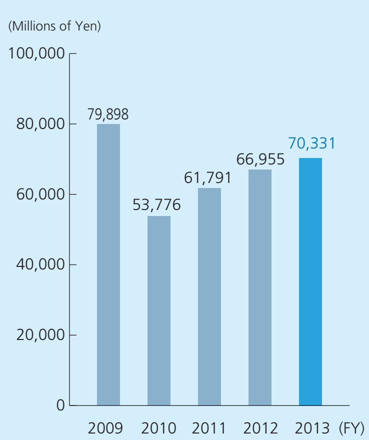
	Millions of yen			Thousands of U.S. dollars (Note 1)
For the year	**2013**	2012	2011	**2013**
Net sales	**¥70,331**	¥66,955	¥61,791	**$748,199**
Operating income	**6,354**	5,450	2,620	**67,597**
Net income	**5,993**	2,827	3,690	**63,757**
At year-end				
Total assets	**58,002**	57,559	55,714	**617,044**
Total equity	**38,423**	37,209	37,094	**408,751**

Per share of common stock	Yen			U.S. Dollars (Note 1)
Total equity	**¥1,229.63**	¥1,135.10	¥1,112.69	
Cash dividends	**99.00**	58.50	27.50	**1.05**
Basic net income (Note 2)	**186.08**	85.45	111.33	**1.98**

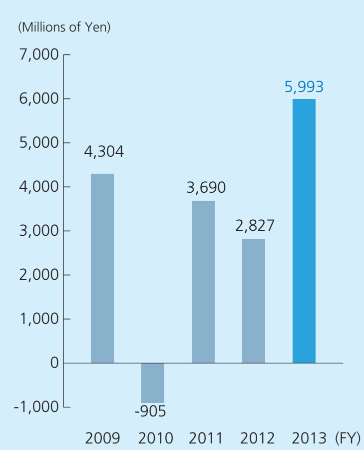
Ratio	%		
Return on average equity	**15.9**	7.6	10.5
Equity ratio	**66.1**	64.5	66.2
Dividend payout ratio	**53.2**	68.5	24.7

Notes: 1. U.S. dollar amounts are translated from Japanese yen, for convenience only, at the rate of ¥94 to US$1, the approximate rate of exchange at March 31, 2013.
2. Basic net income per share is computed based on the weighted average number of shares outstanding during each term.

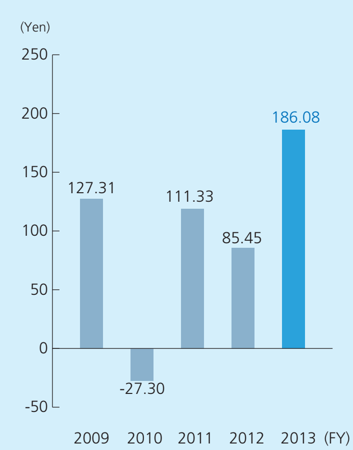
NET SALES



NET INCOME (LOSS)



NET INCOME (LOSS) PER SHARE



Q How did market conditions impact for the fiscal year ended March 31, 2013?

In the first half of the fiscal year under review, business sentiment was grim due to macroeconomic factors including the deceleration of the Chinese economy, sluggish economies in Europe, and ongoing yen appreciation. It is our impression that there was a high level of uncertainty.

In the second half, hopes for economic recovery started growing due to *Abenomics*, the economic stimulus package of the new administration. *Abenomics* triggered a positive turnaround in business confidence and led to the depreciation of the yen and a rise in stock prices in the 4th quarter. At the same time, a number of leading manufacturers, who are our main customers, continued to invest in technological development, looking ahead to next-generation innovation, regardless of concerns or expectations for future business conditions. Amid these conditions, although we have not seen an impact on orders or earnings as of yet, working hours have not returned to levels prior to the economic crisis. Consequently, we continue to implement the far-reaching cost control measures we introduced after the Lehman Brothers' collapse.

Under such circumstances, we were able to continue to land new contracts in our core business of Temporary Engineer Staffing.

In particular, in April 2012, Meitec Group recommenced the regular recruitment of new graduate engineers after a three year interval. A total of 389 new graduate engineers consisting of 220 in Meitec and 169 in Meitec Fielders were placed at their respective workplaces in the first half of the fiscal year under review. This was another factor that substantially contributed to our sales and profit growth. However, we struggled with mid-career recruitment.

Q Could you tell us the progress of the Company's Mid-term Management Plan, "Co-creation 21" from April 1, 2011 to March 31, 2014?

Our three-year Mid-term Management Plan emphasizes two objectives.

The first is to recover from the damage caused by the economic crisis—that is, to mend tarnished corporate value.

The second is to build a foundation for further growth.

With regard to the progress of recovery from damage from the economic crisis and from the damage to corporate value, we compare conditions at the time of the crisis in FY2009 with recent conditions in FY2012.

	Index	FY2009 (Economic crisis)		FY2012
Value to Employees	Utilization Ratio (for year)	71.9 %	→	95.4 %
Value to Customers	Number of Customers (at the end of FY)	856	→	1,049
Value to Shareholders	Stock Price(Yen) (at the end of FY)	1,831	→	2,343
Operating Income (millions of yen)		(2,900)	→	5,400

We restored value to employees, demonstrated by an improvement in the utilization ratio, recovering from 71.9% to 95.4%. In terms of value to customers, the number of customers grew from 856 to 1,049. These two values returned to a level almost that during normal operations.
Meanwhile, the stock price which refers to value to shareholders rose from ¥1,831 to ¥2,343. Operating income improved from a loss of ¥2,900 million to a profit of ¥5,400 million. Nevertheless, we acknowledge that we need to take additional steps to further improve value to shareholders and operating income.

1 Sales and Profit Target (Revised according to the forecast for the FY ending March 2014)

<Fiscal Year Ending March 2014>

- **Consolidated Sales: over 77,000 million yen** (over 73,500 million yen)
  * **Non-consolidated sales to be recorded to the level before the economic crisis** (over 58,000million yen)
- **Consolidated Operating Income: over 7,500 million yen** (over 6,400 million yen)
  * **Non-consolidated operating incomeratio to be equal or more than 10%** (equal or more than 9%)
- **Consolidated ROE: equal or more 10%**

2 Strategic Target (in Progress) ← Building bases for next growth

(Meitec alone)

Build a stronger business base to realize the continuous growth in mid-term regardless of whether the market is in crisis or not

＊ Seven Strategic targets for Meitec alone are set in next page

In the final year of the three-year Mid-term Management Plan, we lowered our sales and profit targets stated in **1** to match the performance forecast for the fiscal year ending March 31, 2014.

Initially, our sales target was more than ¥77,000 million when we launched the Mid-term Management Plan two years ago in April 2011. In contrast, our sales forecast for FY2013 is ¥73,500 million, which is ¥3,500 million lower than the target set in the Mid-term Management Plan.

Although we steadily achieved the targeted number of recruits from among new graduates, we could not achieve our target for mid-career recruitment and as a result had to revise the sales target for FY2013. There are two reasons for not achieving our mid-career recruitment target.

First, we limited mid-career recruitment intentionally due to macroeconomic factors such as the Great East Japan Earthquake and financial crisis in Europe, as well as sluggish business performance in the electronics industry. Increasing the number of recruits is essential for business growth and for an increase in sales and profits; however, it is also risky in terms of cost increases. We think it is necessary to take a flexible stance in management decisions related to the recruitment of mid-career engineers and base decisions on current economic conditions.

Second, there is greater demand in the mid-career recruitment market as the number of manufacturing companies seeking mid-career engineers increases. From 2012, demand for engineers, especially mechanical and electrical engineers, has increased. Since we will not be able to achieve our mid-career recruitment target, there is a negative outlook for the short term. Meanwhile, because demand for engineers is increasing among manufacturing companies, our competitors, we believe such trend shows positive signs in terms of market conditions.

Our strategic target stated in **2** is the second management target—building foundations for the next stage of growth. We are currently embarking on measures to build a strong business base to realize continuous growth in the mid- to long term, regardless of whether the market is in crisis or not.

We are aiming to become a strong company by achieving 7 Strategic Targets, starting with the Target of Sales and Engineer Management Strategy.

Reference: 7 Strategic Targets (Meitec alone)

The Mid-term Management Plan emphasizes four key points.

Key Points of Mid-term Management Plan

- **Meitec will build stronger business base according to the 7 strategic targets of the plan.**
- **Due to the strategic investments according to the plan, operating income will be lower than that of before the economic crisis for next three years.**
- **Main purpose is to avoid losses in the scale of the recent crisis, even if we have to face a crisis in the same level as the economic crisis.**
- **After achieving the targets of the plan, we will set higher target for the operating income.**

The details as stated are the same as those from last year but we would like to provide additional information for the fourth point.

The key factor in raising Meitec Group's sales and profits is associated with an increase in the number of placed engineers. In FY2013, we plan to hire a total of about 630 persons, 379 new recruits to join Meitec Corporation in

April, and 250 mid-career engineers. We aim to improve our sales and profit growth structure by restoring the pattern of recruiting 600–650 engineers to Meitec Corporation and placing newly graduated engineers in the first half of the fiscal year ending March 31, 2014.

Accordingly, we believe that we can accelerate the growth of operating income in FY2014 and beyond by achieving our recruitment plan for the fiscal year ending March 31, 2014.

Q What is your outlook for the fiscal year ending March 31, 2014?

There are four assumptions for the fiscal year ending March 31, 2014.

Our first assumption is regarding market conditions. We anticipate that manufacturers will continue to invest in technological development.

The second is regarding our marketing efforts. We plan to complete the placement of all of our newly graduated engineers who joined Meitec in April 2013 by the end of the first half of the fiscal year ending March 31, 2014.

The third is about our recruitment targets. We expect to fulfill the mid-career recruitment plan, hiring 250 engineers for Meitec and 125 for Meitec Fielders.

Fourth, we plan to move forward with the aforementioned Mid-term Management Plan, and continue with medium- to long-term investments.

In FY2013, consolidated performance forecast calls for net sales of ¥73,500 million, operating income of ¥6,400 million, ordinary income of ¥6,400 million, and net income of ¥4,000 million. On a non-consolidated basis, we expect net sales of ¥58,000 million, operating income of ¥5,400 million, ordinary income of ¥5,800 million, and net income of ¥3,600 million.

As mentioned in prior question, we plan to hire 600–650 people at Meitec Corporation from FY2013 and expect to accelerate the increase in operating income from FY2014 onward. Accordingly, in FY2013, the rise in cost of sales caused by the increased head count will squeeze our operating income. Especially in the first half of FY2013, we look for a decline in operating income of around 10% on both a consolidated and non-consolidated basis compared with the same period of FY2012. However, we expect a profit growth, although marginal, on a consolidated basis.

Q What is Meitec's policy regarding shareholder returns going forward?

In FY2013, we plan to distribute an annual dividend of 72.00 yen per share. This annual dividend will comprise an interim dividend of 31.50 yen per share and a year-end amount of 40.50 yen per share.

Our dividend policy is basically we aim for a payout ratio of 50% or more. If 50% of net income is less than 5% of dividend-on-equity (DOE), then the distribution will be based on a 5% DOE.

In keeping with this dividend policy, we will apply the 5% DOE calculation to the interim dividend, arriving at 31.50 yen per share. For the year-end dividend, we will apply the 50% payout ratio, pegged to consolidated net income in the second half of FY2013. This should come out to 40.50 yen per share and the total dividend should be approximately ¥2,200 million.

Consistent with the principle of a 100% total return ratio, we plan to purchase ¥1,800 million worth of treasury stock in FY2013.

Basic Policy

The MEITEC Group has adopted as its management principle, "Mutual growth and prosperity." The underlying concept for this principle is to "develop together with industry by making business resources (people and information) publicly available through the engineering outsourcing business of the MEITEC Group."
The MEITEC Group, based on its group management concept "Mutual Growth & Prosperity", will maximize the corporate value of our group originating from the value provided to our employees.

1. Value to Employees
Continue to provide good opportunities for all professional engineers.

2. Value to Customers
To be a "reliable strategic partner" for Japanese manufacturers who are undergoing major changes.

3. Value to Shareholders
To be a company which maximize mid and long-term shareholders return by realizing sustainable growth.

4. Value to the Society
To be a pioneer to create a professional labor market in Japan, through establishing a career style of "lifetime professional engineers".

The MEITEC Group's management policy is to improve the value provided to the employees, customers, shareholders and society as above. Our importance is in conducting clear and healthy management without violating social ethics.
Our basic policy toward the corporate governance is to check to see if our decision making by the management is carried out according to above, and reinforce management system to make correction if necessary.

Corporate System

1. Directors and the Board of Directors
The Company's Board of Directors consists of nine directors (of which, two are outside directors). The board meeting is basically held once a month. Its function is to make importance business decisions regarding the corporate group and oversight the execution of directors. Also with the neutral and objective view of outside directors and outside audit & supervisory board members, the Company is strengthening the appropriate management decision making and oversight. Also by adopting the executive officer system, the company appoints one COO (Chief Operating Officer) and eleven executive officer (of which ten are male and one female), and they strive for prompt and appropriate decision making according to the authorities granted by the board of directors.

2. Audit & supervisory board members and the Audit & Supervisory Board
The Company's audit & supervisory board consisting of three outside audit & supervisory board members (of which one is standing outside audit & supervisory board member). The meeting is basically held once a month. Its function is to decide auditing plan, report result of audit by each audit & supervisory board member, discusses matters which need opinion and recommendations. Also, each audit & supervisory board member are, according to the auditing rules for the Audit & supervisory board and auditing plan, through attending the board of director's meeting and observing the business operation and status of assets, oversight the business execution by the directors.

3. Corporate Governance Committee
This committee comprises all directors, and is chaired by an outside director. It conducts self-checks to strengthen the corporate governance and CSR of the corporate group. The committee meets once each half fiscal year.

4. The CEO Nominating Committee
This committee comprises all directors and is chaired by an outside director. Its purpose is to objectively debate and select the ideal candidate for CEO of the MEITEC Group.
The committee meets in December of the year basically prior to the fiscal year in which directors are elected. But it is set that special committee meeting can also be held as necessary. The candidate for CEO of the MEITEC Group may propose other candidates for nomination to director.

Internal Control System

MEITEC's Board of Directors determines the basic policy regarding the development and maintenance of internal control system in accordance with the Companies Act. MEITEC's Basic Policy Regarding the Development and Maintenance of Internal Control System and its implementation status are as follows.

a) Framework to ensure compliance by directors and employees with laws, regulations and the Company's articles of incorporation in the course of the execution of their duties
b) Framework for storing and managing information relating to the directors' execution of duties
c) Framework for risk management
d) Framework to ensure the efficient execution of duties by directors and employees
e) Framework for employees to be assigned to assist audit & supervisory board members carry out their duties and to ensure that these employees retain their independence from the directors
f) Framework for reporting by directors and employees to the audit & supervisory board members and framework to ensure other auditing activities by the audit & supervisory board members are carried out effectively
g) Framework to ensure sound business operations within the Company and the Meitec Group

Defense from Hostile TOB

Company has not introduced the measure for the defense from hostile TOB, poison pill. The Company sees the shareholder, customer and employee as main stakeholder of the company, and providing improved satisfaction to them would heighten the value of the company, and will realize the defense for the hostile TOB.

Note: The outline of our corporate governance can be viewed at the following Meitec website:
http://www.meitec.co.jp/e/company/principal/governance.html

Millions of Yen

For the Year	2013	2012	2011	2010	2009
Net sales	**¥70,331**	¥66,955	¥61,791	¥53,776	¥79,898
Cost of sales	**51,639**	49,875	48,833	46,765	57,177
Gross profit on sales	**18,692**	17,080	12,958	7,011	22,721
Selling, general and administrative expenses	**12,337**	11,630	10,338	11,939	13,440
Operating income	**6,354**	5,450	2,620	(4,928)	9,281
Net income (loss)	**5,993**	2,827	3,690	(905)	4,304
At Year-end					
Total assets	**¥58,002**	¥57,559	¥55,714	¥47,625	¥54,231
Current assets	**41,802**	40,644	37,661	28,444	33,296
Net property and equipment	**10,909**	11,257	11,689	12,069	12,819
Liabilities	**9,684**	11,166	10,017	14,182	18,062
Total equity	**38,423**	37,209	37,094	33,443	36,169
Per share					
Basic net income (loss)	**¥186.08**	¥85.45	¥111.33	(¥27.30)	¥127.31
Cash dividends	**99.00**	58.50	27.50	24.50	75.00
Total equity	**1,229.63**	1,135.10	1,112.69	1,002.58	1,081.85
Ratios					
Gross profit margin	**26.5%**	25.5%	21.0%	13.0%	28.4%
Operating income margin	**9.0**	8.1	4.2	(9.2)	11.6
Net income margin	**8.5**	4.2	6.0	(1.7)	5.4
Return on average equity	**15.9**	7.6	10.5	(2.6)	11.8
Current ratio	**431.7**	364.0	376.0	444.9	301.9
Equity ratio	**66.1**	64.5	66.2	69.8	66.1
Dividend payout ratio	**53.2**	68.5	24.7	—	58.9
Price-earnings ratio	**12.6**	19.5	14.9	—	9.6
Major operating data					
Number of shares issued	**33,000,000**	34,700,000	35,100,000	35,100,000	35,100,000
Share price (yen)	**2,343**	1,669	1,664	1,831	1,216
Number of shareholders	**7,160**	6,003	6,724	7,059	6,664
Number of employees (non-consolidated)	**6,114**	5,822	6,065	6,345	6,300
Number of employees (consolidated)	**7,872**	7,445	7,722	8,368	8,588

Overview of the Economy

During the fiscal year ended March 31, 2013 (from April 1, 2012, to March 31, 2013), expectations increased for a recovery of the Japanese economy. The Japanese economy remained highly uncertain until the third quarter due to European financial problems, the deceleration of the Chinese economy, persistent yen appreciation and other factors. However, during the fourth quarter, the excessively high yen appreciation was corrected and stock prices rose, partly because of the effect of economic measures implemented by the new government administration and rising expectations of an end to deflation.

During the fiscal year under review, many leading manufacturers, which are the major customers of the Company, steadily continued investments in technological development looking to the next generation despite the near-term economic uncertainty. Under such circumstances, we continued to improve the utilization ratio via aggressive recruiting activities to increase the number of engineers and reinforcing sales activities.

Net Sales

Primarily for this reason, consolidated net sales increased ¥3,375 million, or 5.0%, from the previous year to ¥70,330 million.

Cost of Sales

Consolidated cost of sales advanced ¥1,763 million, or 3.5%, from a year earlier to ¥51,639 million, chiefly because of increased labor costs due to an increase in the number of engineers.

Selling, General and Administrative Expenses

Consolidated selling, general and administrative expenses rose ¥707 million, or 6.1%, to ¥12,337 million, primarily due to increased strategic investments.

Operating Income

As a result, consolidated operating income jumped ¥903 million, or 16.6%, from a year earlier to ¥6,354 million.

Net Income

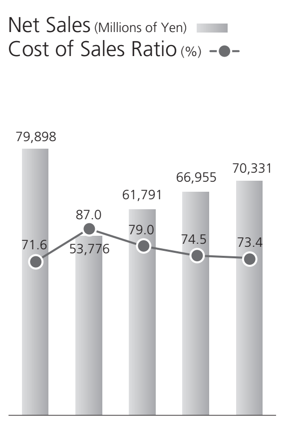
Consolidated net income for the fiscal year under review increased ¥3,165 million, or 112.0%, from a year earlier to ¥5,993 million due to a temporary decline in tax expenses mainly associated with the dissolution of a subsidiary.

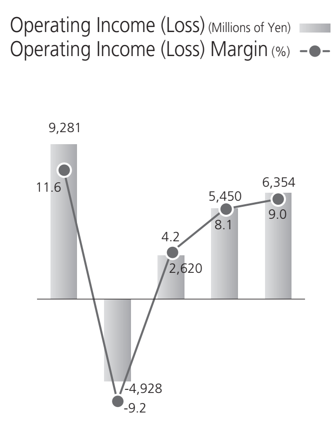
Overview of Results by Business Segment

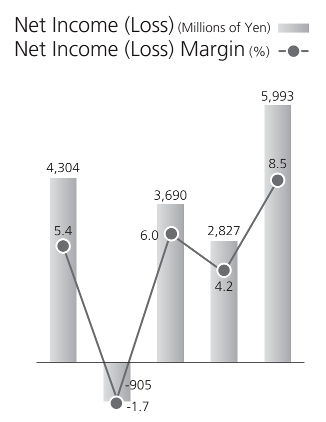
Temporary Staffing Business

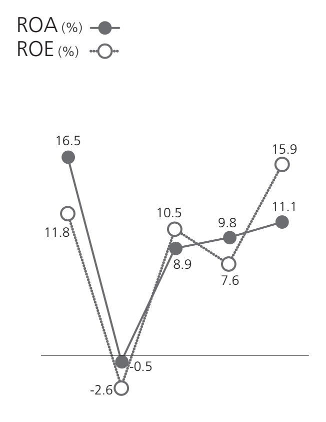
The Temporary Staffing Business accounts for more than 90% of consolidated net sales. Particularly in temporary engineer staffing, the core business of this segment, we were able to increase the number of engineers through aggressive and ongoing recruiting activities. We also steadily secured orders received and landed new contracts by reinforcing sales activities, resulting in the Company's non-consolidated average utilization ratio (overall) of 95.4% (compared with 93.2% a year earlier). Also, working hours were steady at 8.88 hours/day (8.83 hours/day for the previous year).

Mainly for this reason, net sales in the Temporary Staffing Business for the fiscal year under review increased ¥3,454 million, or 5.4%, from a year earlier to ¥67,281 million, and operating income raised ¥918 million, or 17.6%, to ¥6,144 million.









Engineering Solutions Business

In the Engineering Solutions Business, the Company provides engineering services related to analytical technologies, prototype production, casting/metal mold production and technology support for printed-circuit boards.

Net sales in the Engineering Solutions Business for the fiscal year under review decreased ¥344 million, or 11.5%, from a year earlier to ¥2,660 million. Operating income decreased ¥54 million, or 38.2%, from a year earlier to ¥87 million.

Meitec CAE had a year-over-year decrease in net sales due to a reduced number of orders but achieved increased profits through cost reduction. The Apollo Giken Group recorded an operating loss, reflecting a decrease in orders from some of its customers.

Global Business

The Global Business engages in job placement and vocational training for students to supply human resources for Japanese manufacturers that operate in the coastal areas of China.

Net sales in the Global Business for the fiscal year under review increased ¥41 million, or 148.9%, from a year earlier to ¥69 million, and an operating loss of ¥59 million was posted compared with a loss of ¥70 million a year earlier.

Recruiting & Placement Business

The Recruiting & Placement Business involves the job placement and an information portal site business intended for engineers. Net sales in the Recruiting & Placement Business advanced ¥140 million, or 23.4%, from a year earlier to ¥739 million, and operating income increased ¥27 million, or 18.8%, to ¥176 million.

Meitec Next achieved sales and profit growth due to a higher number of job openings.

Forecasts for the Fiscal Year Ending March 31, 2014

Summary of Consolidated Forecasts for the fiscal year ending March 31, 2014

(Millions of Yen)	Net Sales	Operating Income	Ordinary Income	Net Income
Forecast for the six months ending Sept. 30 2013	35,500	2,600	2,600	1,500
Comparison to the six months ended Sept. 30 2012	+1,369	(291)	(345)	(192)
Forecast for FY ending Mar. 31 2014	73,500	6,400	6,400	4,000
Comparison to FY ended Mar. 31 2013	+3,169	+45	(27)	(1,993)
Result for the six months ended Sept. 30 2012	34,130	2,891	2,945	1,692
Result for FY ended Mar. 31 2013	70,330	6,354	6,427	5,993

We announced our forecast for the fiscal year ending March 31, 2014, considering economic uncertainty despite rising expectations for an economic recovery going forward and assuming a continuous increase in the number of engineers from our aggressive and ongoing recruiting activities and steady demand for engineers.

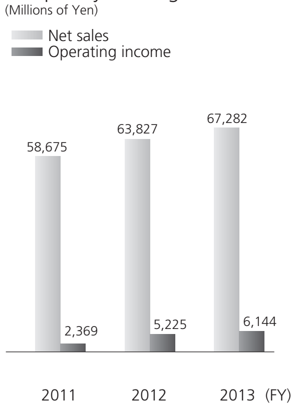
We forecast consolidated net sales of ¥73,500 million, a year-on-year increase of ¥3,169 million, or 4.5%.

Consolidated operating income is projected to increase ¥45 million, or 0.7%, from a year earlier to ¥6,400 million, considering strategic investment plans to be included in consolidated selling, general and administrative expenses.

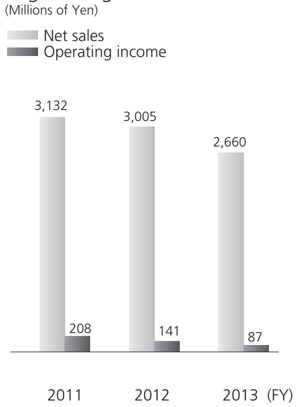
Consolidated ordinary income is forecast to decline ¥27 million, or 0.4%, from a year earlier to ¥6,400 million.

Consolidated net income is estimated to decrease ¥1,993

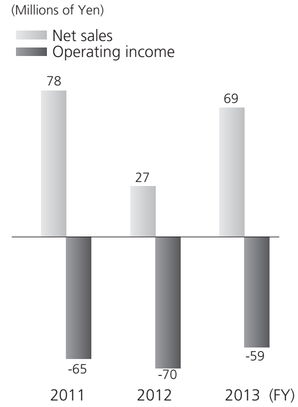
Temporary Staffing Business
(Millions of Yen)



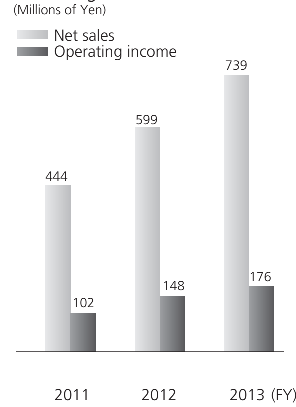
Engineering Solutions Business
(Millions of Yen)



Global Business
(Millions of Yen)



Recruiting & Placement Business
(Millions of Yen)



million, or 33.3%, from a year earlier to ¥4,000 million because a temporary decrease in tax expenses in the previous fiscal year will return to a normal level.

Financial Position

• Assets

Total consolidated assets at the end of this fiscal year (March 31, 2013) increased ¥443 million from March 31, 2012, to ¥58,002 million, mainly due to an increase of ¥1,158 million in current assets from the previous fiscal year end.

The increase in current assets was chiefly due to an increase in income taxes receivable.

• Liabilities

Total consolidated liabilities at the end of this fiscal year (March 31, 2013) decreased ¥770 million from March 31, 2012, to ¥19,579 million, primarily due to a decrease in ¥1,482 million in current liabilities from the previous fiscal year end.

The major factors responsible for the decrease in current liabilities included a decrease in the income taxes payable.

• Net Assets

Total consolidated net assets at the end of this fiscal year (March 31, 2013) increased ¥1,213 million from March 31, 2012, to ¥38,422 million. This was mainly due to the increase in retained earnings according to the operating results of the fiscal year under review.

Cash Flows

Consolidated cash and cash equivalents (hereafter, Cash) had decreased by ¥93 million compared to the previous fiscal year end to ¥26,592 million.

Status and factors of the cash flow of the fiscal year under review for are as following:

• Cash Flow from Operating Activities

Cash gained from the operating activities decreased by ¥547 million compared to the previous fiscal year to ¥5,205 million.

Major portion of the gain was ¥6,270 million from income before income taxes and minority interests.

• Cash Flow from Investing Activities

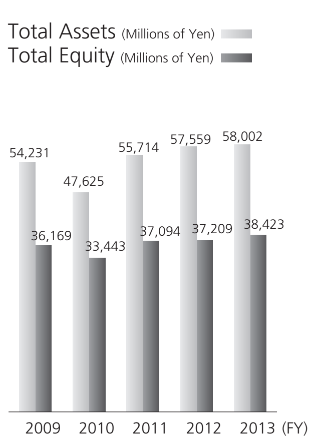
Cash used in the investing activities increased by ¥173 million compared to the previous fiscal year to ¥465 million.

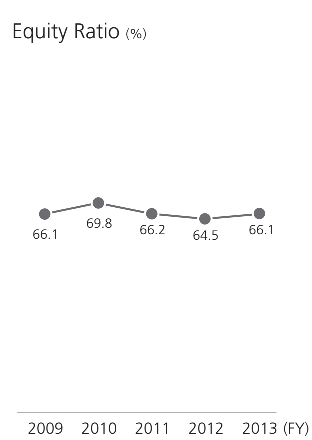
Major portion was the ¥357 million used for purchase of intangible assets.

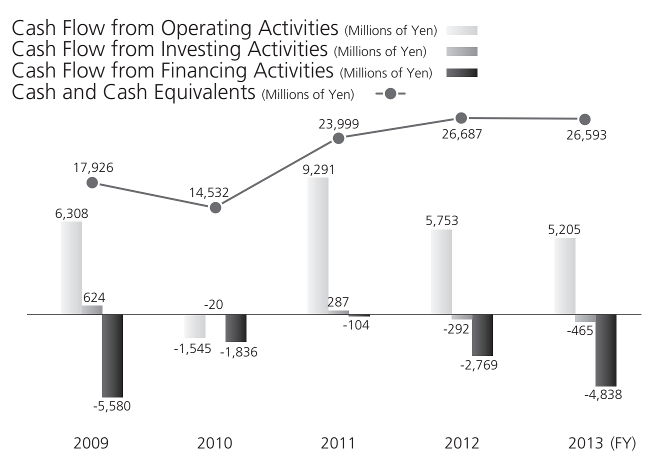
• Cash Flow from Financing Activities

Cash used in the financing activities increased by ¥2,068 million compared to the previous fiscal year to ¥4,837 million.

Major portion was ¥2,800 million from purchase of treasury stock and ¥1,945 million from cash dividends paid.







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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of MEITEC CORPORATION:

We have audited the accompanying consolidated balance sheet of MEITEC CORPORATION and its subsidiaries as of March 31, 2013, and the related consolidated statements of income, comprehensive income, changes in equity, and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information, all expressed in Japanese yen.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in Japan, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit 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 consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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 its subsidiaries as of March 31, 2013, and the consolidated results of their operations and their cash flows for the year then ended in accordance with accounting principles generally accepted in Japan.

Convenience Translation

Our audit also comprehended the translation of Japanese yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made in accordance with the basis stated in Note 1 to the consolidated financial statements. Such U.S. dollar amounts are presented solely for the convenience of readers outside Japan.

Deloitte Touche Tohmatsu LLC

June 20, 2013

Member of
Deloitte Touche Tohmatsu Limited

ASSETS	Millions of Yen 2013	Millions of Yen 2012	Thousands of U.S. Dollars (Note 1) 2013
CURRENT ASSETS:			
Cash and cash equivalents (Note 4)	**¥26,593**	¥26,687	**$282,904**
Notes and accounts receivable (Note 4):			
Trade notes and accounts	**10,888**	10,675	**115,825**
Allowance for doubtful accounts	**(11)**	(15)	**(114)**
Inventories (Note 5)	**286**	277	**3,045**
Deferred tax assets (Note 11)	**2,490**	2,131	**26,494**
Income taxes receivable (Note 4)	**664**		**7,062**
Prepaid expenses and other	**892**	889	**9,490**
Total current assets	**41,802**	40,644	**444,706**
PROPERTY AND EQUIPMENT:			
Land	**3,585**	3,585	**38,137**
Buildings and structures (Note 7)	**19,231**	19,741	**204,583**
Furniture and fixtures (Note 7)	**2,359**	2,344	**25,097**
Construction in progress	**117**		**1,240**
Other	**449**	447	**4,780**
Total	**25,741**	26,117	**273,837**
Accumulated depreciation	**(14,832)**	(14,860)	**(157,789)**
Net property and equipment	**10,909**	11,257	**116,048**
INVESTMENTS AND OTHER ASSETS:			
Investment securities (Notes 3 and 4)	**137**	326	**1,459**
Software	**687**	1,301	**7,304**
Software in progress	**260**	54	**2,762**
Leasehold deposits	**602**	662	**6,404**
Deferred tax assets (Note 11)	**3,511**	3,229	**37,349**
Other	**94**	86	**1,012**
Total investments and other assets	**5,291**	5,658	**56,290**
TOTAL	**¥58,002**	¥57,559	**$617,044**

See notes to consolidated financial statements.

LIABILITIES AND EQUITY	Millions of Yen 2013	Millions of Yen 2012	Thousands of U.S. Dollars (Note 1) 2013
CURRENT LIABILITIES:			
Trade accounts payable (Note 4)	**¥104**	¥151	**$1,108**
Income taxes payable (Note 4)	**297**	1,733	**3,155**
Accrued expenses	**7,398**	7,255	**78,707**
Other (Note 4)	**1,885**	2,027	**20,048**
Total current liabilities	**9,684**	11,166	**103,018**
LONG-TERM LIABILITIES:			
Liability for retirement benefits (Note 8)	**9,843**	9,079	**104,716**
Deferred tax liabilities (Note 11)		1	
Deferred tax liabilities for land revaluation (Notes 2.j and 11)	**37**	37	**398**
Other	**15**	67	**161**
Total long-term liabilities	**9,895**	9,184	**105,275**
EQUITY (Note 9):			
Common stock—authorized, 142,854 thousand shares in 2013 and 2012; issued, 33,000 thousand shares in 2013 and 34,700 thousand shares in 2012	**16,826**	16,826	**178,999**
Capital surplus	**9,300**	13,343	**98,935**
Retained earnings	**17,426**	13,378	**185,381**
Treasury stock—at cost, 1,803 thousand shares in 2013 and 1,997 thousand shares in 2012	**(4,287)**	(5,530)	**(45,610)**
Accumulated other comprehensive income:			
Unrealized gain on available-for-sale securities	**6**	13	**68**
Land revaluation difference (Note 2.j)	**(878)**	(878)	**(9,344)**
Foreign currency translation adjustments	**(32)**	(31)	**(334)**
Total	**38,361**	37,121	**408,095**
Minority interests	**62**	88	**656**
Total equity	**38,423**	37,209	**408,751**
TOTAL	**¥58,002**	¥57,559	**$617,044**

Consolidated Statements of Income

MEITEC CORPORATION and Subsidiaries
Years Ended March 31, 2013

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2013	2012	**2013**
NET SALES	**¥70,331**	¥66,955	**$748,199**
COST OF SALES	**51,639**	49,875	**549,352**
Gross profit	**18,692**	17,080	**198,847**
SELLING, GENERAL, AND ADMINISTRATIVE EXPENSES	**12,338**	11,630	**131,250**
Operating income	**6,354**	5,450	**67,597**
OTHER (EXPENSES) INCOME:			
Interest and dividend income	**12**	12	**127**
Rent income	**10**	11	**105**
Gain on sales of investment securities	**11**		**114**
(Loss) gain on investments in partnerships	**(9)**	11	**(98)**
Settlement received	**48**		**510**
Impairment loss (Note 7)	**(202)**		**(2,153)**
Reversal of allowance for doubtful accounts	**51**	26	**544**
Other—net	**(4)**	17	**(38)**
Other (expenses) income—net	**(83)**	77	**(889)**
INCOME BEFORE INCOME TAXES AND MINORITY INTERESTS	**6,271**	5,527	**66,708**
INCOME TAXES (Note 11):			
Current	**914**	2,650	**9,728**
Deferred	**(633)**	59	**(6,743)**
Total income taxes	**281**	2,709	**2,985**
NET INCOME BEFORE MINORITY INTERESTS	**5,990**	2,818	**63,723**
MINORITY INTERESTS IN NET LOSS	**(3)**	(9)	**(34)**
NET INCOME	**¥5,993**	¥2,827	**$63,757**

	Yen		U.S. Dollars (Note 1)
	2013	2012	**2013**
PER SHARE OF COMMON STOCK (Notes 2.s and 13):			
Basic net income	**¥186.08**	¥85.45	**$1.98**
Cash dividends applicable to the year	**99.00**	58.50	**1.05**

See notes to consolidated financial statements.

Consolidated Statements of Comprehensive Income

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2013	**2012**	**2013**
NET INCOME BEFORE MINORITY INTERESTS	**¥5,990**	¥2,818	**$63,723**
OTHER COMPREHENSIVE INCOME (LOSS) (Note 14):			
Unrealized (loss) gain on available-for-sale securities	**(7)**	4	**(71)**
Land revaluation difference (Note 2.j)		5	
Foreign currency translation adjustments	**1**	(1)	**6**
Total other comprehensive (loss) income	**(6)**	8	**(65)**
Comprehensive income	**¥5,984**	¥2,826	**$63,658**
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:			
Owners of the parent	**¥5,986**	¥2,835	**$63,680**
Minority interests	**(2)**	(9)	**(22)**

See notes to consolidated financial statements.

Consolidated Statements of Changes in Equity

MEITEC CORPORATION and Subsidiaries
Years Ended March 31, 2013

	Thousands	Millions of Yen									
						Accumulated Other Comprehensive Income					
	Number of Shares of Common Stock Outstanding	Common Stock	Capital Surplus	Retained Earnings	Treasury Stock	Unrealized Gain on Available-for-Sale Securities	Land Revaluation Difference	Foreign Currency Translation Adjustments	Total	Minority Interests	Total Equity
BALANCE, APRIL 1, 2011	33,125	¥16,826	¥14,451	¥12,406	¥(5,937)	¥6	¥(883)	¥(11)	¥36,858	¥236	¥37,094
Net income				2,827					2,827		2,827
Cash dividends, ¥56.5 per share				(1,872)					(1,872)		(1,872)
Purchase of treasury stock	(422)				(701)				(701)		(701)
Retirement of treasury stock			(1,108)		1,108						
Change of scope of consolidation				17					17		17
Net change in the year						7	5	(20)	(8)	(148)	(156)
BALANCE, MARCH 31, 2012	32,703	¥16,826	¥13,343	¥13,378	¥(5,530)	¥13	¥(878)	¥(31)	¥37,121	¥88	¥37,209
Net income				5,993					5,993		5,993
Cash dividends, ¥59.5 per share				(1,945)					(1,945)		(1,945)
Purchase of treasury stock	(1,506)				(2,800)				(2,800)		(2,800)
Retirement of treasury stock			(4,043)		4,043						
Net change in the year						(7)		(1)	(8)	(26)	(34)
BALANCE, MARCH 31, 2013	**31,197**	**¥16,826**	**¥9,300**	**¥17,426**	**¥(4,287)**	**¥6**	**¥(878)**	**¥(32)**	**¥38,361**	**¥62**	**¥38,423**

	Thousands of U.S. Dollars (Note 1)									
					Accumulated Other Comprehensive Income					
	Common Stock	Capital Surplus	Retained Earnings	Treasury Stock	Unrealized Gain on Available-for-Sale Securities	Land Revaluation Difference	Foreign Currency Translation Adjustments	Total	Minority Interests	Total Equity
BALANCE, MARCH 31, 2012	$178,999	$141,951	$142,324	$(58,834)	$138	$(9,344)	$(326)	$394,908	$936	$395,844
Net income			63,757					63,757		63,757
Cash dividends, $0.63 per share			(20,700)					(20,700)		(20,700)
Purchase of treasury stock				(29,792)				(29,792)		(29,792)
Retirement of treasury stock		(43,016)		43,016						
Net change in the year					(70)		(8)	(78)	(280)	(358)
BALANCE, MARCH 31, 2013	**$178,999**	**$98,935**	**$185,381**	**$(45,610)**	**$68**	**$(9,344)**	**$(334)**	**$408,095**	**$656**	**$408,751**

See notes to consolidated financial statements.

MEITEC CORPORATION and Subsidiaries
Years Ended March 31, 2013

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2013	2012	2013
OPERATING ACTIVITIES:			
Income before income taxes and minority interests	¥6,271	¥5,527	$66,708
Adjustments for:			
Income taxes—paid	(3,027)	(2,612)	(32,203)
Depreciation and amortization	1,287	1,273	13,691
Amortization of goodwill	4	2	40
Gain on sales of investment securities	(11)		(114)
Loss (gain) on investments in partnerships	9	(11)	98
Impairment loss	202		2,153
Changes in assets and liabilities:			
Increase in trade receivables	(212)	(430)	(2,256)
Increase in inventories	(10)	(80)	(101)
Decrease in trade payables	(47)	(17)	(495)
Increase in accrued expenses	106	1,136	1,123
Decrease in allowance for doubtful accounts	(73)	(38)	(777)
Increase in liability for retirement benefits	764	627	8,128
Decrease in other current assets	46	327	484
(Decrease) increase in other current liabilities	(112)	47	(1,186)
Other—net	8	2	83
Total adjustments	(1,066)	226	(11,332)
Net cash provided by operating activities	5,205	5,753	55,376
INVESTING ACTIVITIES:			
Proceeds from sales of investment securities	153		1,626
Purchases of property and equipment	(330)	(72)	(3,514)
Purchases of other investments and assets	(310)	(225)	(3,295)
Other—net	22	5	231
Net cash used in investing activities	(465)	(292)	(4,952)
FINANCING ACTIVITIES:			
Acquisition of treasury stock	(2,800)	(701)	(29,792)
Dividends paid	(1,945)	(1,872)	(20,693)
Repayments to minority shareholders	(34)	(140)	(365)
Other—net	(59)	(56)	(616)
Net cash used in financing activities	(4,838)	(2,769)	(51,466)
FOREIGN CURRENCY TRANSLATION ADJUSTMENTS ON CASH AND CASH EQUIVALENTS	4		46
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(94)	2,692	(996)
DECREASE IN CASH AND CASH EQUIVALENTS RESULTING FROM CHANGE OF SCOPE OF CONSOLIDATION		(4)	
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	26,687	23,999	283,900
CASH AND CASH EQUIVALENTS, END OF YEAR	¥26,593	¥26,687	$282,904

See notes to consolidated financial statements.

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 Financial Instruments and Exchange Act and its related accounting regulations, and in conformity with accounting principles generally accepted in Japan ("Japanese GAAP"), 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 2012 consolidated financial statements to conform them to the classifications used in 2013.

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 ¥94 to $1, the approximate rate of exchange at March 31, 2013. 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, 2013, include the accounts of the Company and its 11 (12 in 2012) subsidiaries (together, the "Group").
In fiscal 2013, operating results of one subsidiary were included only in the consolidated statement of income and the consolidated statement of cash flows as it was liquidated during the fiscal year ended March 31, 2013.
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 utilizing the equity method.
The excess of the cost of an acquisition over the fair value of the net assets of an acquired subsidiary at the date of acquisition is being amortized 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 also eliminated.

b. *Unification of Accounting Policies Applied to Foreign Subsidiaries for the Consolidated Financial Statements* — In May 2006, the Accounting Standards Board of Japan ("ASBJ") issued ASBJ Practical Issues Task Force (PITF) No. 18, "Practical Solution on Unification of Accounting Policies Applied to Foreign Subsidiaries for the Consolidated Financial Statements."
PITF No. 18 prescribes that (1) the accounting policies and procedures applied to a parent company and its subsidiaries for similar transactions and events under similar circumstances should in principle be unified for the preparation of the consolidated financial statements; (2) financial statements prepared by foreign subsidiaries in accordance with either International Financial Reporting Standards or the accounting principles generally accepted in the United States of America tentatively may be used for the consolidation process; (3) however, the following items should be adjusted in the consolidation process so that net income is accounted for in accordance with Japanese GAAP, unless they are not material:
(a) amortization of goodwill;
(b) scheduled amortization of actuarial gain or loss of pensions that has been directly recorded in the equity;
(c) expensing capitalized development costs of R&D;
(d) cancellation of the fair value model accounting for property, plant, and equipment and investment properties and incorporation of the cost model accounting; and
(e) exclusion of minority interests from net income, if contained in net income.

c. *Business Combinations* — In October 2003, the Business Accounting Council issued a Statement of Opinion, "Accounting for Business Combinations, " and in December 2005, the ASBJ issued ASBJ Statement No. 7, "Accounting Standard for Business Divestitures" and ASBJ Guidance No. 10, "Guidance for Accounting Standard for Business Combinations and Business Divestitures."
The accounting standard for business combinations allows companies to apply the pooling-of-interests method of accounting only when certain specific criteria are met such that the business combination is essentially regarded as a uniting of interests.
For business combinations that do not meet the uniting of interests criteria, the business combination is considered to be an acquisition and the purchase method of accounting is required. This standard also prescribes the accounting for combinations of entities under common control and for joint ventures.
In December 2008, the ASBJ issued a revised accounting standard for business combinations, ASBJ Statement No. 21,

"Accounting Standard for Business Combinations." Major accounting changes under the revised accounting standard are as follows:

(1) The revised standard requires accounting for business combinations only by the purchase method. As a result, the pooling-of-interests method of accounting is no longer allowed.

(2) The previous accounting standard required research and development costs to be charged to income as incurred. Under the revised standard, in-process research and development costs (IPR&D) acquired in the business combination are capitalized as an intangible asset.

(3) The previous accounting standard provided for a bargain purchase gain (negative goodwill) to be systematically amortized over a period not exceeding 20 years. Under the revised standard, the acquirer recognizes the bargain purchase gain in profit or loss immediately on the acquisition date after reassessing and confirming that all of the assets acquired and all of the liabilities assumed have been identified after a review of the procedures used in the purchase allocation.

The revised Standard was applicable to Business Combinations undertaken on or after April 1, 2010.

d. *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 within three months from the date of acquisition.

e. *Inventories* — Inventories are measured at cost determined by the specific identification method and stated at the lower of cost or net selling value.

f. *Investment Securities* — Investment securities are classified and accounted for, depending on management's intent, as follows: (1) trading securities, which are held for the purpose of earning capital gains in the near term, are reported at fair value and the related unrealized gains and losses are included in earnings; (2) held-to-maturity debt securities, for which there is the positive intent and ability to hold to maturity, are reported at amortized cost; and (3) available-for-sale securities, which are not classified as either of the aforementioned securities, are reported at fair value, with unrealized gains and losses, net of applicable taxes, reported in a separate component of equity. Cost of available-for-sale securities sold is determined by the moving average method.
Nonmarketable 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.

g. *Property and Equipment* — Property and equipment other than lease assets are stated at cost. Depreciation is principally computed utilizing the declining-balance method 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 2 to 15 years for furniture and fixtures.
Due to the corporation tax reform, effective from the year ended March 31, 2013, the Company and its domestic consolidated subsidiaries changed the depreciation method in accordance with the revised Corporation Tax Act for the assets which were acquired on and after April 1, 2012. The effects of this change on the operating income and loss before income taxes and minority interests for the year ended March 31, 2013, were immaterial.

h. *Long-lived Assets* — The Group reviews its long-lived assets for impairment whenever events or changes in circumstances 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.

i. *Leases* — Lease assets under finance lease transactions that are not deemed to transfer ownership of the leased property to the lessee are capitalized and depreciated utilizing the straight-line method over their respective lease term with zero residual value, except for leases that commenced prior to April 1, 2008, which are accounted for as operating leases.

j. *Land Revaluation* — Under the "Law of Land Revaluation," the Company elected a one-time revaluation of its own use land to a value based on real estate appraisal information as of March 31, 2000. The resulting land revaluation difference represents an unrealized devaluation of land and is stated net of income taxes as a component of equity. Continuous readjustment is not permitted, unless the land value subsequently declines significantly such that the amount of the decline in value should be removed from the land revaluation difference account.
As of March 31, 2013 and 2012, the carrying amount of the land after the one-time revaluation exceeded the market value by ¥1,604 million ($17,065 thousand) and ¥1,559 million, respectively.

k. Retirement and Pension Plan — The Company and certain subsidiaries have unfunded retirement benefit plans. The Company also has a contributory funded pension plan covering substantially all of its employees.

l. Asset Retirement Obligations — In March 2008, the ASBJ published ASBJ Statement No. 18 "Accounting Standard for Asset Retirement Obligations" and ASBJ Guidance No. 21 "Guidance on Accounting Standard for Asset Retirement Obligations." Under this accounting standard, an asset retirement obligation is defined as a legal obligation imposed either by law or contract that results from the acquisition, construction, development, and the normal operation of a tangible fixed asset and is associated with the retirement of such tangible fixed asset.

The asset retirement obligation is recognized as the sum of the discounted cash flows required for the future asset retirement and is recorded in the period in which the obligation is incurred if a reasonable estimate can be made. If a reasonable estimate of the asset retirement obligation cannot be made in the period the asset retirement obligation is incurred, the liability should be recognized when a reasonable estimate of asset retirement obligation can be made. Upon initial recognition of a liability for an asset retirement obligation, an asset retirement cost is capitalized by increasing the carrying amount of the related fixed asset by the amount of the liability. The asset retirement cost is subsequently allocated to expense through depreciation over the remaining useful life of the asset. Over time, the liability is accreted to its present value each period. Any subsequent revisions to the timing or the amount of the original estimate of undiscounted cash flows are reflected as an increase or a decrease in the carrying amount of the liability and the capitalized amount of the related asset retirement cost.

m. Stock Options — In December 2005, the ASBJ issued ASBJ Statement No. 8, "Accounting Standard for Stock Options" and related guidance. The new standard and guidance are applicable to stock options newly granted on and after May 1, 2006. This standard requires companies to recognize compensation expense for employee stock options based on the fair value at the date of grant and over the vesting period as consideration for receiving goods or services. The standard also requires companies to account for stock options granted to nonemployees based on the fair value of either the stock option or the goods or services received. In the consolidated balance sheets, the stock option is presented as a stock acquisition right as a separate component of equity until exercised. The standard covers equity-settled share-based payment transactions, but does not cover cash-settled share-based payment transactions. In addition, the standard allows unlisted companies to measure options at their intrinsic value if they cannot reliably estimate fair value.

n. Bonuses to Employees — To prepare for the payment of employees' bonuses, a provision is made based on the estimated amounts.

o. Bonuses to Directors and Audit & supervisory Bord Members — To prepare for the payment of directors' and audit & supervisory bord members' bonuses, a provision is made based on the estimated amounts considering the operating results at the end of fiscal year.

p. 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.

q. Foreign Currency Transactions — All short- and long-term monetary receivables and payables denominated in foreign currencies are translated into Japanese yen at the current exchange rates at the consolidated 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 foreign exchange forward contracts.

r. Foreign Currency Financial Statements — The balance sheet accounts of the consolidated foreign subsidiaries are translated into Japanese yen at the current exchange rate as of the consolidated balance sheet date, except for equity, which is translated at the historical rate. Differences arising from such translation are shown as "foreign currency translation adjustments" under accumulated other comprehensive income in a separate component of equity.

Revenue and expense accounts of consolidated foreign subsidiaries are translated into yen at the average exchange rate.

s. 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 notes and 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 years, including dividends to be paid after the end of the year.

t. Accounting Changes and Error Corrections — In December 2009, the ASBJ issued ASBJ Statement No. 24 "Accounting Standard for Accounting Changes and Error Corrections" and ASBJ Guidance No. 24 "Guidance on Accounting Standard for Accounting Changes and Error Corrections." Accounting treatments under this standard and guidance are as follows:

(1) Changes in Accounting Policies:
When a new accounting policy is applied with revision of accounting standards, a new policy is applied retrospectively unless the revised accounting standards include specific transitional provisions. When the revised accounting standards include specific transitional provisions, an entity shall comply with the specific transitional provisions.

(2) Changes in Presentations
When the presentation of consolidated financial statements is changed, prior-period consolidated financial statements are reclassified in accordance with the new presentation.

(3) Changes in Accounting Estimates
A change in an accounting estimate is accounted for in the period of the change if the change affects that period only and is accounted for prospectively if the change affects both the period of the change and future periods.

(4) Corrections of Prior-Period Errors
When an error in prior-period consolidated financial statements is discovered, those statements are restated.

u. Accounting standard issued but not yet adopted — In May 2012, the ASBJ issued ASBJ Statement No. 26, "Accounting Standard for Retirement Benefits," and ASBJ Guidance No. 25, "Guidance on Accounting Standard for Retirement Benefits."

(1) Overview:
According to the revised standard, actuarial gains and losses and prior-service costs are recognized in equity of the consolidated balance sheets after adjustments of tax effects and recorded as a liability or an asset to show the funded status. In addition, it is allowable to allocate benefits to periods of service according to the benefit formula, as well as straight–line allocation. The calculation method of the discount rate was also revised. As for disclosure, requirements have been expanded regarding the details of increases or decreases for projected benefit obligations and fair value of plan assets, etc.

(2) Expected application date:
The Company expects to apply this standard and the guidance from the end of the year ending March 31, 2014. However, the Company expects to apply the revised calculation methods for projected benefit obligations and service costs from the beginning of the year ending March 31, 2015.

(3) Effects of the application of the standard and the guidance:
Effects on the consolidated financial statements are currently under review.

3. INVESTMENT SECURITIES

Investment securities as of March 31, 2013 and 2012, consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2013	2012	**2013**
Investment securities:			
Equity securities	**¥118**	¥275	**$1,253**
Other	**19**	51	**206**
Total	**¥137**	¥326	**$1,459**

The costs and aggregate fair values of investment securities as of March 31, 2013 and 2012, were as follows:

	Millions of Yen			
March 31, 2013	Cost	Unrealized Gains	Unrealized Losses	Fair Value
Available for sale:				
Equity securities	**¥48**	**¥6**		**¥54**

	Millions of Yen			
March 31, 2012	Cost	Unrealized Gains	Unrealized Losses	Fair Value
Available for sale:				
Equity securities	¥190	¥23	¥(3)	¥210

	Thousands of U.S. Dollars			
March 31, 2013	Cost	Unrealized Gains	Unrealized Losses	Fair Value
Available for sale:				
Equity securities	**$505**	**$68**		**$573**

Available-for-sale securities whose fair value is not readily determinable as of March 31, 2013 and 2012, were as follows:

	Carrying Amount		
	Millions of Yen		Thousands of U.S. Dollars
	2013	2012	**2013**
Equity securities	**¥64**	¥65	**$680**
Other	**19**	51	**206**
Total	**¥83**	¥116	**$886**

Proceeds from sales of available for-sale-securities for the year ended March 31, 2013 were ¥153 million ($1,626 thousand). Gross realized gains and losses on these sales, computed on the moving average cost basis, were ¥11 million ($114 thousand) and nil, respectively, for the year ended March 31, 2013.

There was no available-for-sale security sold for the year ended March 31, 2012.

There was no impairment loss recorded on available-for-sale equity securities for the years ended March 31, 2013 and 2012.

4. FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES

(1) Group policy for financial instruments

The Group is fully self-financed. Temporary excess funds are invested in low-risk financial instruments, such as short-term bank deposits.

(2) Nature and extent of risks arising from financial instruments

Receivables, such as trade notes and accounts, are exposed to customer credit risk. Investment securities mainly consist of securities of companies with which a business relationship has been established or a business and capital tie-up has been formed. These are exposed to market fluctuation risk. Payables, such as trade accounts, are mostly due within one year.

(3) Risk management for financial instruments

Credit risk (risk of default by the counterparties) management

The Group manages its credit risk from receivables following sales management rules, which include examining customers' credit conditions. The respective departments monitor the customers' credit conditions periodically and manage the due date and balance per customer to identify and mitigate the default risk of customers at an early stage. The maximum credit risk exposure of financial assets is limited to their carrying amounts as of March 31, 2013.

Market risk (risk of foreign currency fluctuations and interest rate) management

For investment securities, the Group regularly reviews the fair value and issuers' financial condition and adjusts the Group's portfolio on an ongoing basis considering the business relationship with counterparties.

Liquidity risk (risk of default in payment at the due dates) management

The Group prepares and updates its cash management plans appropriately based on the reports from each department and manages its liquidity risk by maintaining adequate level of working capital equivalent to two months' consolidated sales volume considering investment proposals.

(4) Fair values of financial instruments

Fair values of financial instruments are based on quoted prices in active markets.

Fair value of financial instruments:

	Millions of Yen		
March 31, 2013	Carrying amount	Fair value	Unrealized gain/loss
Cash and cash equivalents	**¥26,593**	**¥26,593**	
Notes and accounts receivable	**10,888**	**10,888**	
Income taxes receivable	**664**	**664**	
Investment securities:			
Available-for-sale equity securities	**54**	**54**	
Total assets	**¥38,199**	**¥38,199**	
Trade accounts payable	**¥104**	**¥104**	
Income taxes payable	**297**	**297**	
Accrued consumption taxes (Current liabilities—other)	**649**	**649**	
Total liabilities	**¥1,050**	**¥1,050**	

	Millions of Yen		
March 31, 2012	Carrying amount	Fair value	Unrealized gain/loss
Cash and cash equivalents	¥26,687	¥26,687	
Notes and accounts receivable	10,675	10,675	
Investment securities:			
Available-for-sale equity securities	210	210	
Total assets	¥37,572	¥37,572	
Trade accounts payable	¥151	¥151	
Income taxes payable	1,733	1,733	
Accrued consumption taxes (Current liabilities—other)	687	687	
Total liabilities	¥2,571	¥2,571	

March 31, 2013	Thousands of U.S. Dollars		
	Carrying amount	Fair value	Unrealized gain/loss
Cash and cash equivalents	**$282,904**	**$282,904**	
Notes and accounts receivable	**115,825**	**115,825**	
Income taxes receivable	**7,062**	**7,062**	
Investment securities:			
Available-for-sale equity securities	**573**	**573**	
Total assets	**$406,364**	**$406,364**	
Trade accounts payable	**$1,108**	**$1,108**	
Income taxes payable	**3,155**	**3,155**	
Accrued consumption taxes (Current liabilities—other)	**6,909**	**6,909**	
Total liabilities	**$11,172**	**$11,172**	

Unlisted securities and others whose fair values cannot be reliably determined amounted to ¥83 million ($886 thousand) and ¥116 million as of March 31, 2013 and 2012, respectively, and were not included in the above tables.

Valuation methods for fair value of financial instruments and information on securities were as follows:

(i) Cash and cash equivalents, (ii) Notes and accounts receivable, and (iii) Income taxes receivable

The carrying values of cash and cash equivalents, notes and accounts receivable, and income taxes receivable approximate fair value because of their short maturities.

(iv) Investment securities

The fair values of investment securities are measured at the quoted market price of the stock exchange for the equity instruments. Information on the fair value of investment securities by classification is included in Note 3.

(v) Trade accounts payable, (vi) Income taxes payable, and (vii) Accrued consumption taxes (Current liabilities—other)

The carrying values of trade accounts payable, income taxes payable, and accrued consumption taxes approximate fair value because of their short maturities.

Maturity analysis for financial assets with contractual maturities subsequent to March 31, 2013 and 2012, was as follows:

March 31, 2013	Millions of Yen			
	Due in one year or less	Due after one year through five years	Due after five years through ten years	Due after ten years
Cash and cash equivalents	**¥26,593**			
Notes and accounts receivable	**10,888**			
Income taxes receivable	**664**			
Total	**¥38,145**			

March 31, 2012	Millions of Yen			
	Due in one year or less	Due after one year through five years	Due after five years through ten years	Due after ten years
Cash and cash equivalents	¥26,687			
Notes and accounts receivable	10,675			
Total	¥37,362			

March 31, 2013	Thousands of U.S. Dollars			
	Due in one year or less	Due after one year through five years	Due after five years through ten years	Due after ten years
Cash and cash equivalents	**$282,904**			
Notes and accounts receivable	**115,825**			
Income taxes receivable	**7,062**			
Total	**$405,791**			

5. INVENTORIES

Inventories at March 31, 2013 and 2012, consisted mainly of work in process related to engineering solutions.

6. LONG-TERM DEBT

The Company had loan commitments from five banks and one insurance company in an aggregate amount of ¥ 3,000 million ($31,915 thousand) as of March 31, 2013 and 2012. There were no loans utilized and outstanding under these arrangements as of March 31, 2013 and 2012.

7. LONG-LIVED ASSETS

For the year ended March 31, 2013, the Group recognized an impairment loss of ¥202 million ($2,153 thousand), due to a write-down of the assets to be disposed of to their recoverable amount. The recoverable amount of the related assets was measured by its net selling value, which was determined to be zero.

8. RETIREMENT AND PENSION PLAN

The Company and certain subsidiaries have 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. Such retirement benefits are made in the form of a lump-sum severance payment from the Company or from certain consolidated subsidiaries and annuity payments from a trustee. Employees are entitled to larger payments if the termination is involuntary, by retirement at the mandatory retirement age, by death, or by voluntary retirement at certain specific ages prior to the mandatory retirement age.

The liability for employees' retirement benefits as of March 31, 2013 and 2012, consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2013	2012	**2013**
Projected benefit obligation	**¥11,762**	¥9,723	**$125,133**
Fair value of plan assets	**(111)**	(93)	**(1,180)**
Unrecognized actuarial loss	**(1,808)**	(551)	**(19,237)**
Net liability	**¥9,843**	¥9,079	**$104,716**

The components of net periodic retirement benefit costs for the years ended March 31, 2013 and 2012, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2013	2012	**2013**
Service cost	**¥622**	¥634	**$6,615**
Interest cost	**192**	180	**2,042**
Recognized actuarial loss	**254**	138	**2,707**
Contribution in defined contribution pension plan	**795**	778	**8,454**
Net periodic benefit costs	**¥1,863**	¥1,730	**$19,818**

Assumptions used for the years ended March 31, 2013 and 2012, were set forth as follows:

	2013	2012
Discount rate	**0.9%**	**2.0%**
Amortization period of prior service cost	**10 years**	**10 years**
Recognition period of actuarial gain/loss	**10 years**	**10 years**

9. EQUITY

Japanese companies are subject to the Companies Act of Japan (the "Companies Act"), which reformed and replaced the Commercial Code of Japan. The significant provisions in the Companies Act that affect financial and accounting matters are summarized below:

a. Dividends

Under the Companies Act, companies can pay dividends at any time during the fiscal year in addition to the year-end dividend upon resolution at the shareholders meeting. For companies that meet certain criteria such as, (1) having the board of directors, (2) having independent audit & supervisory board members, (3) having the Audit & Supervisory Board and (4) the term of service of the directors is prescribed as one year rather than two years of normal term by its articles of incorporation, the board of directors may declare dividends (except for dividends in kind) at any time during the fiscal year if the company has prescribed so in its articles of incorporation. The Company does not meet all the above criteria.

The Companies Act permits companies to distribute dividends in kind (non-cash assets) to shareholders subject to a certain limitation and additional requirements.

Semiannual interim dividends may also be paid once a year, upon resolution by the board of directors if the articles of incorporation of the company so stipulate. The Companies Act provides certain limitations on the amounts available for dividends or the purchase of treasury stock. The limitation is defined as the amount available for distribution to the shareholders, but the amount of net assets after dividends must be maintained at no less than ¥3 million.

b. Increases/Decreases and Transfer of Common Stock, Reserve, and Surplus

The Companies Act requires that an amount equal to 10% of dividends must be appropriated as a legal reserve (a component of retained earnings) or as additional paid-in capital (a component of capital surplus) depending on the equity account charged upon the payment of such dividends until the total of aggregate amount of legal reserve and additional paid-in capital equals 25% of the common stock. Under the Companies Act, the total amount of additional paid in capital and legal reserve may be reversed without limitation. The Companies Act also provides that common stock, legal reserve, additional paid-in capital, other capital surplus, and retained earnings can be transferred among the accounts under certain conditions upon resolution of the shareholders.

c. Treasury Stock and Treasury Stock Acquisition Rights

The Companies Act also provides for companies to purchase treasury stock and dispose of such treasury stock by resolution of the board of directors. The amount of treasury stock purchased cannot exceed the amount available for distribution to the shareholders, which is determined by a specific formula. Under the Companies Act, stock acquisition rights are presented as a separate component of equity. The Companies Act also provides that companies can purchase both treasury stock acquisition rights and treasury stock. Such treasury stock acquisition rights are presented as a separate component of equity or deducted directly from stock acquisition rights.

10. STOCK OPTION PLANS

Stock options outstanding during the year ended March 31, 2013, were as follows:

Stock Option	Persons Granted	Number of Options Granted	Date of Grant	Exercise Price	Exercise Period
2002 Stock Option	Six directors, six directors of subsidiaries, and 105 key employees of the Group	129,000	October 1, 2002	¥3,066 ($33)	From June 26, 2004 to June 25, 2012

Stock option activity was as follows:

For the Year Ended March 31, 2012	2001 Stock Option	2002 Stock Option
	Shares	
Non-vested:		
April 1, 2011—outstanding		
Canceled		
Vested		
April 1, 2012—outstanding		
Vested:		
March 31, 2011—outstanding	1,000	1,000
Vested		
Exercised		
Canceled	1,000	
March 31, 2012 — outstanding		1,000
Exercise price	¥4,280	¥3,066
Average stock price at exercise		

For the Year Ended March 31, 2013	2002 Stock Option
	Shares
Non-vested:	
March 31, 2012—outstanding	
Canceled	
Vested	
March 31, 2013—outstanding	
Vested:	
March 31, 2012—outstanding	1,000
Vested	
Exercised	
Canceled	1,000
March 31, 2013 — outstanding	
Exercise price	¥3,066 ($33)
Average stock price at exercise	

11. INCOME TAXES

The Company and its domestic subsidiaries are subject to Japanese national and local income taxes, which, in the aggregate, resulted in a normal effective statutory tax rate of approximately 38% and 40% for the years ended March 31, 2013 and 2012, respectively.

The tax effects of significant temporary differences that resulted in deferred tax assets and liabilities as of March 31, 2013 and 2012, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2013	2012	**2013**
Deferred tax assets:			
Accrued bonuses	**¥1,755**	¥1,741	**$18,668**
Accrued social security on accrued bonuses	**244**	237	**2,598**
Retirement benefits	**3,494**	3,223	**37,174**
Enterprise taxes payable	**23**	129	**240**
Impairment loss	**1**	4	**15**
Write-down of investment securities	**30**	30	**324**
Land revaluation surplus	**560**	560	**5,956**
Tax loss carryforwards	**682**	2,312	**7,257**
Other	**120**	168	**1,277**
Valuation allowance	**(880)**	(3,036)	**(9,366)**
Total	**6,029**	5,368	**64,143**
Deferred tax liabilities:			
Enterprise taxes receivable	**28**		**300**
Unrealized gain on available-for-sale securities		8	
Land revaluation difference	**37**	37	**398**
Other		1	
Total	**65**	46	**698**
Net deferred tax assets	**¥5,964**	¥5,322	**$63,445**

A reconciliation between the normal effective statutory tax rate and the actual effective tax rate reflected in the accompanying consolidated statements of income for the years ended March 31, 2013 and 2012, is as follows:

	2013	2012
Normal effective statutory tax rate	**38.0%**	40.0%
Expenses not deductible for income tax purposes	**0.9**	0.6
Per capita tax	**0.4**	0.7
Valuation allowance	**(35.3)**	(2.2)
Reduction of deferred tax assets due to income tax rates change		9.4
Other—net	**0.4**	0.5
Actual effective tax rate	**4.4%**	49.0%

As of March 31, 2013, the Company and certain subsidiaries have tax loss carryforwards aggregating to approximately ¥1,826 million ($19,429 thousand), which are available to be offset against taxable income of the Company and such subsidiaries in future years. These tax loss carryforwards, if not utilized, will expire as follows:

Year Ending March 31	Millions of Yen	Thousands of U.S. Dollars
2014	¥126	$1,337
2015	420	4,473
2016	63	668
2017	68	729
2018	104	1,102
2019	31	334
2020	961	10,219
2021	7	72
2022	46	495
Total	¥1,826	$19,429

12. LEASES

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

Finance lease transactions that are not deemed to transfer ownership of leased properties are capitalized as ordinary purchase leases, except for those that commenced prior to April 1, 2008, which are accounted for as operating leases.

Total rental expense, including lease payments under finance leases that do not transfer ownership, with lease commencement prior to April 1, 2008, for the years ended March 31, 2013 and 2012, was ¥1 million ($3 thousand) and ¥2 million, respectively.

Pro forma information of leased property, such as acquisition cost, accumulated depreciation, accumulated impairment loss, obligations under finance leases, depreciation expense, interest expense, and other information under finance leases that do not transfer ownership, with lease commencement prior to April 1, 2008, on an "as if capitalized" basis for the year ended March 31, 2012, was as follows:

	Millions of Yen	
	Furniture and Fixtures	Total
Pro forma information	2012	
Acquisition cost	**¥7**	**¥7**
Accumulated depreciation	**6**	**6**
Net leased property	**¥1**	**¥1**

None are applicable for the year ended March 31, 2013.

Obligations under finance leases were as follows:

	Millions of Yen
Pro forma information	2012
Due within one year	**¥1**
Due after one year	
Total	**¥1**

None are applicable for the year ended March 31, 2013.

Depreciation expense, which was not reflected in the accompanying consolidated statements of income computed utilizing the straight-line method, was ¥1 million ($3 thousand) and ¥2 million for the years ended March 31, 2013 and 2012, respectively.

13. NET INCOME PER SHARE

Basic net income per share ("EPS") for the years ended March 31, 2013 and 2012, was as follows:

	Millions of Yen	Thousands of Shares	Yen	U.S. Dollars
Year Ended March 31, 2013	Net Income	Weighted-average Shares	EPS	
Basic EPS — Net income available to common shareholders	**¥5,993**	**32,208**	**¥186.08**	**$1.98**

	Millions of Yen	Thousands of Shares	Yen
Year Ended March 31, 2012	Net Income	Weighted-average Shares	EPS
Basic EPS — Net income available to common shareholders	¥2,827	33,088	¥85.45

Diluted EPS is not disclosed, as there are no dilutive securities for the years ended March 31, 2013 and 2012.

14. COMPREHENSIVE INCOME

The components of other comprehensive income for the years ended March 31, 2013 and 2012, are as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2013	2012	**2013**
Unrealized (loss) gain on available-for-sale securities:			
(Losses) gains arising during the year	**¥(4)**	¥6	**$(40)**
Reclassification adjustments to profit or loss	**(11)**		**(114)**
Amount before income tax effect	**(15)**	6	**(154)**
Income tax effects	**8**	(2)	**83**
Total	**¥(7)**	¥4	**$(71)**
Land revaluation difference:			
Income tax effects		¥5	
Total		¥5	
Foreign currency translation adjustments:			
Adjustments arising during the year	**¥1**	¥(2)	**$6**
Reclassification adjustments' profit or loss		1	
Amount before income tax effect	**1**	(1)	**6**
Total	**¥1**	¥(1)	**$6**
Total other comprehensive income	**¥(6)**	¥8	**$(65)**

15. SEGMENT INFORMATION

In March 2008, the ASBJ revised ASBJ Statement No. 17 "Accounting Standard for Segment Information Disclosures" and issued ASBJ Guidance No. 20 "Guidance on Accounting Standard for Segment Information Disclosures." Under the standard and guidance, an entity is required to report financial and descriptive information about its reportable segments. Reportable segments are operating segments or aggregations of operating segments that meet specified criteria.

Operating segments are components of an entity about which separate financial information is available and such information is evaluated regularly by the chief operating decision maker in deciding how to allocate resources and in assessing performance. Generally, segment information is required to be reported on the same basis as is used internally for evaluating operating segment performance and deciding how to allocate resources to operating segments.

a. Description of reportable segments

Reportable segments are part of the Group whose financial data can be obtained separately. The board of directors reviews the financial data periodically to evaluate earnings and determine how to allocate business resources.

The Group primarily operates in the temporary engineers staffing business as their core business. The Group, based on the nature of the business and similarities of the market, consists of four segments, "Outsourcing," "Engineering Solutions," "Global," and "Recruiting & Placement."

"Outsourcing" provides temporary staffing service mainly focusing on temporary engineers staffing business.

"Engineering Solutions" consists of technology services, including analytical technology, prototyping, and manufacturing of mold and technological support for printed-circuit boards.

"Global" engages in job placement and vocational training for students to supply human resources for Japanese manufacturers operating in the coastal areas of China.

"Recruiting & Placement" consists of the job placement business specializing in engineers and the information portal site business.

b. Method of measurement for net sales, profit (loss), assets, and other items for reportable segment

The accounting policies of each reportable segment are consistent with those disclosed in Note 2, "Summary of Significant Accounting Policies." Income by reportable segments is based on operating income. Intersegment transactions are based on prevailing market prices.

c. Information on net sales, profit (loss), assets, and other items

	Millions of Yen				
	Reportable segments				
	Outsourcing	Engineering Solutions	Global	Recruiting & Placement	Total
			2013		
Net sales:					
Sales to external customers	**¥67,222**	**¥2,359**	**¥56**	**¥694**	**¥70,331**
Intersegment sales or transfers	**60**	**302**	**13**	**45**	**420**
Total net sales	**¥67,282**	**¥2,661**	**¥69**	**¥739**	**¥70,751**
Segment profit (loss)	**¥6,144**	**¥88**	**¥(60)**	**¥177**	**¥6,349**
Segment assets	**¥56,617**	**¥964**	**¥191**	**¥447**	**¥58,219**
Other items:					
Depreciation and amortization	**¥1,222**	**¥63**		**¥2**	**¥1,287**
Increase in property, equipment, and intangible assets	**688**	**15**		**7**	**710**

	Millions of Yen				
	Reportable segments				
	Outsourcing	Engineering Solutions	Global	Recruiting & Placement	Total
	2012				
Net sales:					
Sales to external customers	¥63,774	¥2,581	¥28	¥572	¥66,955
Intersegment sales or transfers	53	425		27	505
Total net sales	¥63,827	¥3,006	¥28	¥599	¥67,460
Segment profit (loss)	¥5,225	¥142	¥(71)	¥149	¥5,445
Segment assets	¥55,792	¥1,057	¥128	¥735	¥57,712
Other items:					
Depreciation and amortization	¥1,214	¥58		¥1	¥1,273
Increase in property, equipment, and intangible assets	235	24		5	264

	Thousands of U.S. Dollars				
	Reportable segments				
	Outsourcing	Engineering Solutions	Global	Recruiting & Placement	Total
	2013				
Net sales:					
Sales to external customers	**$715,126**	**$25,092**	**$598**	**$7,383**	**$748,199**
Intersegment sales or transfers	**639**	**3,216**	**139**	**481**	**4,475**
Total net sales	**$715,765**	**$28,308**	**$737**	**$7,864**	**$752,674**
Segment profit (loss)	**$65,363**	**$933**	**$(635)**	**$1,878**	**$67,539**
Segment assets	**$602,309**	**$10,261**	**$2,031**	**$4,751**	**$619,352**
Other items:					
Depreciation and amortization	**$13,002**	**$664**		**$25**	**$13,691**
Increase in property, equipment, and intangible assets	**7,316**	**161**		**75**	**7,552**

d. Differences between total of each reportable segment amounts and the amounts shown in the accompanying consolidated financial statements

	Net sales		
	Millions of Yen		Thousands of U.S. Dollars
	2013	2012	**2013**
Total reportable segments	**¥70,751**	¥67,460	**$752,674**
Intersegment eliminations	**(420)**	(505)	**(4,475)**
Net sales on consolidated statements of income	**¥70,331**	¥66,955	**$748,199**

	Operating income		
	Millions of Yen		Thousands of U.S. Dollars
	2013	2012	**2013**
Total reportable segments	**¥6,349**	¥5,445	**$67,539**
Intersegment eliminations	**5**	5	**58**
Operating income on consolidated statements of income	**¥6,354**	¥5,450	**$67,597**

	Total assets		
	Millions of Yen		Thousands of U.S. Dollars
	2013	2012	**2013**
Total reportable segments	**¥58,219**	¥57,712	**$619,352**
Intersegment eliminations	**(217)**	(153)	**(2,308)**
Total assets on consolidated balance sheets	**¥58,002**	¥57,559	**$617,044**

	Other items					
	Millions of Yen			Thousands of U.S. Dollars		
	Total reportable segment	Adjustments	Consolidated	Total reportable segment	Adjustments	Consolidated
	2013					
Depreciation and amortization	**¥1,287**		**¥1,287**	**$13,691**		**$13,691**
Increase in property, equipment, and intangible assets	**¥710**		**¥710**	**$7,552**		**$7,552**

	Other items		
	Millions of Yen		
	Total reportable segment	Adjustments	Consolidated
	2012		
Depreciation and amortization	¥1,273		¥1,273
Increase in property, equipment, and intangible assets	¥264		¥264

e. Information about products and services

Information about products and services is not disclosed since the classification by products and services is the same as the reportable segments. Sales to external customers in the "Outsourcing" segment make up more than 90% of net sales in the consolidated statements of income.

f. Information by geographical areas

(1) Net sales

Information about net sales by geographical areas is not disclosed since sales to external customers in Japan make up more than 90% of net sales in the consolidated statements of income.

(2) Property and equipment

Information about property and equipment by geographical areas is not disclosed since property and equipment in Japan make up more than 90% of property and equipment in the consolidated balance sheets.

g. Information about major customers

Information about major customers is not disclosed since there are no external customers making up more than 10% of net sales in the consolidated statements of income.

h. Information about impairment loss by reportable segment

	Millions of Yen					
	Reportable segment				Corporate and Eliminations	Total
	Outsourcing	Engineering Solutions	Global	Recruiting & Placement		
	2013					
Impairment loss	**¥201**	**¥1**				**¥202**

	Thousands of U.S. Dollars					
	Reportable segment				Corporate and Eliminations	Total
	Outsourcing	Engineering Solutions	Global	Recruiting & Placement		
	2013					
Impairment loss	**$2,139**	**$14**				**$2,153**

None are applicable for the year ended March 31, 2012.

i. Information about amortization of goodwill by reportable segment

	Millions of Yen					
	Reportable segment				Corporate and Eliminations	Total
	Outsourcing	Engineering Solutions	Global	Recruiting & Placement		
	2013					
Amortization of goodwill		**¥4**				**¥4**

	Millions of Yen					
	Reportable segment				Corporate and Eliminations	Total
	Outsourcing	Engineering Solutions	Global	Recruiting & Placement		
	2012					
Amortization of goodwill		¥2				¥2

	Thousands of U.S. Dollars					
	Reportable segment				Corporate and Eliminations	Total
	Outsourcing	Engineering Solutions	Global	Recruiting & Placement		
	2013					
Amortization of goodwill		**$40**				**$40**

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Supplemental Non-Consolidated Balance Sheets (Unaudited)

MEITEC CORPORATION
March 31, 2013

	Millions of Yen		Thousands of U.S. Dollars (Note1)
ASSETS	**2013**	2012	**2013**
CURRENT ASSETS:			
Cash and cash equivalents	**¥25,281**	¥25,479	**$268,948**
Accounts receivable:			
Trade accounts	**8,883**	8,653	**94,503**
Subsidiaries	**3**	1	**30**
Allowance for doubtful accounts	**(7)**	(13)	**(73)**
Inventories	**223**	197	**2,375**
Income taxes receivable	**664**		**7,062**
Deferred tax assets	**2,112**	1,818	**22,464**
Short-term loans to subsidiaries	**30**	50	**319**
Prepaid expenses and other	**906**	941	**9,635**
Total current assets	**38,095**	37,126	**405,263**
PROPERTY AND EQUIPMENT:			
Land	**3,583**	3,583	**38,112**
Buildings and structures	**19,211**	19,718	**204,368**
Furniture and fixtures	**2,259**	2,242	**24,035**
Construction in progress	**117**		**1,240**
Other	**390**	390	**4,156**
Total	**25,560**	25,933	**271,911**
Accumulated depreciation	**(14,682)**	(14,710)	**(156,184)**
Net property and equipment	**10,878**	11,223	**115,727**
INVESTMENTS AND OTHER ASSETS:			
Investment securities	**137**	323	**1,459**
Investments in and advances to subsidiaries	**1,842**	1,747	**19,601**
Software	**585**	1,174	**6,227**
Software in progress	**259**	38	**2,758**
Leasehold deposits	**548**	586	**5,832**
Deferred tax assets	**3,505**	3,223	**37,283**
Other	**69**	65	**726**
Total investments and other assets	**6,945**	7,156	**73,886**
TOTAL	**¥55,918**	¥55,505	**$594,876**

Note1: The translations of Japanese yen amounts into U.S. dollar amounts have been made at the rate of ¥94 to $1, the approximate rate of exchange at March 31, 2013.

LIABILITIES AND EQUITY	Millions of Yen 2013	Millions of Yen 2012	Thousands of U.S. Dollars (Note 1) 2013
CURRENT LIABILITIES:			
Income taxes payable		¥1,431	
Deposits from subsidiaries	**¥1,884**	1,862	**$20,040**
Accrued expenses	**5,973**	6,014	**63,544**
Other	**1,644**	1,820	**17,495**
Total current liabilities	**9,501**	11,127	**101,079**
LONG-TERM LIABILITIES:			
Liability for retirement benefits	**9,816**	9,045	**104,427**
Deferred tax liabilities for land revaluation	**37**	37	**398**
Allowance for investment loss	**46**	25	**481**
Other	**11**	67	**114**
Total long-term liabilities	**9,910**	9,174	**105,420**
EQUITY:			
Common stock—authorized, 142,854 thousand shares in 2013 and 2012; issued, 33,000 thousand shares in 2013 and 34,700 thousand shares in 2012	**16,826**	16,826	**178,999**
Capital surplus:			
Additional paid-in capital	**4,210**	4,210	**44,787**
Other capital surplus	**5,090**	9,133	**54,148**
Retained earnings-unappropriated	**15,540**	11,430	**165,329**
Unrealized gain on available-for-sale securities	**6**	13	**68**
Land revaluation difference	**(878)**	(878)	**(9,344)**
Treasury stock—at cost, 1,803 thousand shares in 2013 and 1,997 thousand shares in 2012	**(4,287)**	(5,530)	**(45,610)**
Total equity	**36,507**	35,204	**388,377**
TOTAL	**¥55,918**	¥55,505	**$594,876**

Supplemental Non-Consolidated Statements of Income (Unaudited)

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2013	2012	**2013**
NET SALES	**¥55,823**	¥53,189	**$593,858**
COST OF SALES	**41,241**	39,988	**438,730**
Gross profit	**14,582**	13,201	**155,128**
SELLING, GENERAL AND ADMINISTRATIVE EXPENSES	**9,179**	8,587	**97,651**
Operating income	**5,403**	4,614	**57,477**
OTHER INCOME (EXPENSES):			
Interest and dividend income	**276**	321	**2,941**
Interest expense	**(1)**	(2)	**(7)**
(Loss) gain on investments in partnerships	**(9)**	11	**(98)**
Gain on liquidation of subsidiaries	**452**		**4,804**
Impairment loss	**(201)**		**(2,137)**
Provision of allowance for investment loss	**(20)**	(25)	**(215)**
Gain on sales of investment securities	**10**		**104**
Other—net	**22**	3	**241**
Other income—net	**529**	308	**5,633**
INCOME BEFORE INCOME TAXES	**5,932**	4,922	**63,110**
INCOME TAXES:			
Current	**443**	2,260	**4,715**
Deferred	**(567)**	72	**(6,035)**
Total income taxes	**(124)**	2,332	**(1,320)**
NET INCOME	**¥6,056**	¥2,590	**$64,430**

	Yen		U.S. Dollars (Note 1)
	2013	2012	**2013**
PER SHARE OF COMMON STOCK (Notes 2 and 3):			
Basic net income	**¥188.04**	¥78.27	**$2.00**
Cash dividends applicable to the year	**99.00**	58.50	**1.05**

Notes: 1. The translations of Japanese yen amounts into U.S. dollar amounts have been made at the rate of ¥94 to $1, the approximate rate of exchange at March 31, 2013.
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 32,208 thousand shares for 2013 and 33,088 thousand shares for 2012.
3. Diluted net income per share for 2013 and 2012 are not presented, since there were no potentially dilutive shares as of March 31, 2013 and 2012.

MEITEC CORPORATION

As of March 31, 2013

Corporate Headquarters
8-5-26, Akasaka, Minato-ku, Tokyo 107-0052, Japan
Tel: +81-3-5413-2600

Registered Corporate Headquarters
2-20-1, Kousei Dori, Nishi-ku, Nagoya, Aichi 451-0075, Japan
Tel: +81-52-532-1811

Establishment
July 17, 1974

Common Stock
Authorized: 142,854,400 shares
Issued: 33,000,000 shares

Shareholders
7,160

Employees (consolidated)
7,872

Lines of Business
Providing engineering services to major Japanese manufacturing companies in the fields of high-technology research and development

Consolidated Subsidiaries
Full-Line Temporary Staffing Business

Meitec Fielders Inc.
Meitec Cast Inc.

Engineering Solutions Business

Apollo Giken Co., Ltd.
Shanghai Apomac Science & Technology
Meitec CAE Corporation

Global Business

Meitec Shanghai
Meitec XiAn TechnoCenter Co., Ltd.
Meitec Chengdu TechnoCenter Co., Ltd.
Meitec Shanghai Human Resources Co., Ltd.

Career Support Business

Meitec Next Corporation
All engineer.jp CORPORATION

Executives

As of June 30, 2013

Directors

Kosuke Nishimoto
CEO, MEITEC Group
Representative Director
President and CEO, COO of MEITEC CORPORATION
Executive officer for the Internal Audit Department, the CSR Department
in charge of Meitec Cast Inc., global business

Hideyo Kokubun
Director
Executive officer for the Career Support Divisions,
the Business Operations Management Divisions
in charge of Apollo Giken Co., Ltd.

Hiroshi Yoneda
Director
in charge of Meitec Fielders Inc., Meitec Next Corporation

Kiyomasa Nakajima
Director
Executive officer for the Recruiting Divisions
in charge of All engineer.jp CORPORATION

Masato Uemura
Director
Executive officer for the Management Information Department
and the Accounting Department

Hidenori Nagasaka
Director
Executive officer for the Personnel Divisions, the Sales Promortion Department
in charge of Meitec CAE Corporation

Akiyoshi Ogasawara
Director Executive officer for the Business Execution Divisions,

Minao Shimizu
Outside Director (Independent)

Hiroyuki Kishi
Outside Director (Independent)

Audit & Supervisory Board Members

Makoto Fukai
Standing Outside Audit & Supervisory Board Member (Independent)

Masatoshi Saito
Outside Audit & Supervisory Board Member (Independent)

Hiroshi Watanabe
Outside Audit & Supervisory Board Member (Independent)

Executive Officers

Kouichi Nakagawa
Executive officer for the Kanagawa and Shizuoka Area

Jun Samukawa
Executive officer for the Eastern Japan Area

Tetsuya Yabe
Executive officer for the Western Japan Area

Hiroshi Yamada
Executive officer for the Central Japan Area

Keisuke Ito
Executive officer for the Personnel Department

Sonoe Shimizu
Executive officer for the Office of the President, the Corporate Communication Department,the Human Resources Development Department

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 utilization ratios, as well as financial reports, quarterly reports and performance-adjustment announcements.

MAIN CONTENTS

- Business Performance (monthly utilization ratio of Meitec and Meitec Fielders, and other information)
- Stock Price
- Financial Results and Announcements
- Annual Report

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

Please see the URL below for details.
URL: http://www.meitec.co.jp/e/