



Consolidated Financial Report For the Three Months Ended June 30, 2014

July 29, 2014

Company Name: Meitec Corporation
Representative: Hideyo Kokubun
President, Group CEO
Code No.: 9744 TSE 1ST Section

1. Consolidated Results for the 1st Quarter (April 1, 2014 to June 30, 2014)

(1) Consolidated operating results

(Fractions of one million yen are rounded down)

	Net Sales		Operating Income		Ordinary Income		Net Income	
	Millions of Yen	%	Millions of Yen	%	Millions of Yen	%	Millions of Yen	%
Three months ended June 30, 2014	19,014	8.6	1,579	14.0	1,590	14.5	876	17.8
Three months ended June 30, 2013	17,507	4.8	1,385	3.1	1,388	2.3	743	(2.6)

(Note) Comprehensive Income; Three months ended June 30, 2014: 918 million yen [22.7%]
Three months ended June 30, 2013: 748 million yen [0.9%]

	Net Income per Share	Diluted Net Income per Share
	Yen	Yen
Three months ended June 30, 2014	28.68	—
Three months ended June 30, 2013	23.83	—

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio
	Millions of Yen	Millions of Yen	%
As of June 30, 2014	57,895	37,247	64.3
As of March 31, 2014	61,445	36,188	58.8

Reference: Shareholders' Equity; as of June 30, 2014: 37,204 million yen
as of March 31, 2014: 36,142 million yen

2. Dividends

(Record date)	Annual Dividends per Share				
	1st Quarter	2nd Quarter	3rd Quarter	Year-end	Total
	Yen	Yen	Yen	Yen	Yen
FY ended March 31, 2014	—	31.50	—	40.50	72.00
FY ending March 31, 2015	—	—	—	—	—
FY ending March 31, 2015 (Forecast)	—	44.00	—	57.00	101.00

(Note) Revision of dividends forecast from recent forecast: None

(Note) Details of year-end dividends for the year ending Mar. 31, 2015:

Regular dividends 81.00 yen, Commemorative dividends 20.00 yen (40th anniversary commemorative dividends)

3. Consolidated Forecasts for Fiscal Year ending March 31, 2015

(% is comparison to the same period of previous fiscal year)

	Net Sales		Operating Income		Ordinary Income		Net Income		Net Income per Share
	Millions of Yen	%	Millions of Yen	%	Millions of Yen	%	Millions of Yen	%	
Six months ending September 30, 2014	38,200	6.8	3,300	13.5	3,300	12.6	2,050	20.2	67.09
FY ending March 31, 2015	79,000	5.5	7,700	10.3	7,700	10.3	4,900	23.3	160.36

(Note) Revision of performance forecast from recent forecast: None

Notes to Financial Statements

- (1) Significant changes involving subsidiaries during the term: None
(Changes in specific subsidiaries that affected the scope of consolidation)
- (2) Adoption of special accounting treatment for preparing quarterly consolidated financial Statements: Yes
- (3) Change in accounting principle, procedure and presentation method for preparing the consolidated financial statements
- | | |
|--|------|
| i. Change in accounting principle : | Yes |
| ii. Changes not relating to i. : | None |
| iii. Changes in accounting estimates : | None |
| iv. Restatements : | None |
- (4) Number of shares issued (common stock)
- | | |
|---|------------|
| i. Number of shares issued at the fiscal year end (including treasury shares) | |
| 1 st quarter ended June 30, 2014: | 32,500,000 |
| FY ended March 31, 2014: | 32,500,000 |
| ii. Number of treasury shares at the fiscal year end | |
| 1 st quarter ended June 30, 2014: | 1,944,758 |
| FY ended March 31, 2014: | 1,944,494 |
| iii. Average number of shares outstanding during the period | |
| 1 st quarter ended June 30, 2014: | 30,555,368 |
| 1 st quarter ended June 30, 2014: | 31,197,390 |

*** Indication of quarterly review procedure implementation status**

At the time of disclosure of the financial results, the quarterly financial statement review procedures based upon the Financial Instruments and Exchange Act, have not been completed.

*** Advice relating to appropriate use of financial forecasts and other relevant information**

Earnings forecasts and other forward-looking statements in this release are based on data currently available to management and certain assumptions that management believes are reasonable, and it is not intended to promise its achievement. Actual results may therefore differ materially from these statements for various reasons. For cautionary notes concerning assumptions for earnings forecasts and use of earning forecasts, please refer to “(3)-1. Earnings Forecasts” under “1. Qualitative Information on the Consolidated Results for the 1st Quarter,” “(3) Explanation of Forecast Information Such as Consolidated Earnings Forecast, etc.”

1. Qualitative Information on the Consolidated Results for the 1st Quarter

(1) Qualitative Information on the Consolidated Operating Results

Figure 1: Summary ; Consolidated Operating Results

(Millions of yen, rounded down)	1st Q FY ended June 30, 2013	1st Q FY ended June 30, 2014	YoY Amount	Change (%)
Net Sales	17,507	19,014	+1,506	+8.6%
Cost of Sales	13,048	14,350	+1,301	+10.0%
SG&A Expenses	3,073	3,084	+10	+0.4%
Operating Income	1,385	1,579	+193	+14.0%
Ordinary Income	1,388	1,590	+201	+14.5%
Income before income taxes	1,370	1,589	+219	+16.0%
Net Income	743	876	+132	+17.8%

(1)-1. Consolidated Operating Results

During the three months from April 1, 2014 to June 30, 2014, the Japanese economy continued to face an uncertain outlook due to decelerating growth in emerging markets and other factors. However, due to factors such as the effects of the government's economic measures and financial policies, corporate earnings improved, among other signs, and the business climate showed a moderate upward trend.

Under these circumstances, many leading manufacturers, which are the major clients of the Company, continued steady investments in technological development looking to the next generation regardless of the business conditions. Thanks to a strong order environment, the number of engineers assigned to clients steadily increased. As a result, consolidated net sales for the period under review increased ¥1,506 million, or 8.6%, from a year earlier to ¥19,014 million. Consolidated cost of sales advanced ¥1,301 million, or 10.0%, from a year earlier to ¥14,350 million, chiefly because of increased labor costs due to an increase in the number of engineers as 551 new graduates joined us in April of this year (MT: 378, MF: 173). Consolidated selling, general and administrative expenses rose by ¥10 million, or 0.4%, from a year earlier to ¥3,084 million. As a result, consolidated operating income surged ¥193 million, or 14.0%, from a year earlier to ¥1,579 million. Consolidated ordinary income increased ¥201 million, or 14.5%, from a year earlier to ¥1,590 million. Consolidated net income increased ¥132 million, or 17.8%, from a year earlier to ¥876 million.

Figure 2: Summary ; Results of Three Business Segments

(Millions of yen, rounded down)	Meitec Group (Consolidated)				
		Temporary Staffing Business	Recruiting & Placement Business	Engineering Solutions Business	Eliminations / Corporate
Net Sales	19,014	18,231	304	588	(110)
Component Ratio	100.0%	95.9%	1.6%	3.1%	(0.6%)
YoY Amount	+1,506	+1,443	+63	+48	(48)
%Change	+8.6%	+8.6%	+26.5%	+9.0%	—
Operating Income	1,579	1,506	66	5	1
Component Ratio	100.0%	95.4%	4.2%	0.3%	0.1%
YoY Amount	+193	+157	+6	+31	(0)
%Change	+14.0%	+11.6%	+10.1%	—	(27.6%)

(Note) As described in the Consolidated Financial Report for the Fiscal Year ended March 31, 2014, released on May 8, 2014, the Company has changed reportable segments from the first quarter ended June 30, 2014, resulting in the inclusion of the former "Global Business" into the "Recruiting & Placement Business."

For the purpose of comparison with the same period of the previous fiscal year, figures for the same period of the previous fiscal year have been reclassified according to the segment after such change.

Figure 3: Meitec Group Temporary Engineer Staffing Business

		1st Q FY ended June 30, 2013	1st Q FY ended June 30, 2014
MT ^{*1} +MF ^{*2} +CAE ^{*3}	Period-End Engineering Staff ¹	7,380人	7,939人
MT ^{*1} +MF ^{*2}	Period-End Engineering Staff ¹	7,295人	7,843人
	Utilization ratio (Company-wide)	90.4%	91.2%
	Utilization ratio(Excluding new hires ²)	96.0%	96.5%
MT ^{*1}	Period-End Engineering Staff ¹	5,858人	6,226人
	Of which assigned to internal engineering projects ¹	59人	58人
	Utilization ratio (Company-wide)	91.0%	91.5%
	Utilization ratio(Excluding new hires ²)	95.8%	96.2%
	Working Hours	8.84h/day	8.86h/day
MF ^{*2}	Period-End Engineering Staff	1,437人	1,617人
	Utilization ratio (Company-wide)	87.9%	90.0%
	Utilization ratio(Excluding new hires ²)	96.7%	97.9%
	Working Hours	8.87h/day	8.93h/day
CAE ^{*3}	Period-End Engineering Staff	85人	96人

*1 : Meitec Corporation *2 : Meitec Fielders, Inc. *3 : Meitec CAE Corporation

Note 1: Number of engineers for Meitec does not include engineers who are assigned to our internal engineering projects and lecturer for internal training.

Note 2: Engineers who never been assigned to job are excluded.

See the Meitec homepage for monthly and quarterly utilization ratio figures:

http://www.meitec.co.jp/e/ir/financial_performance.html

(1)-2. Operating Results of Business Segments

(1)-2.i Temporary Staffing Business

Net sales in the Temporary Staffing Business segment for the period under review increased ¥1,443 million, or 8.6%, from a year earlier to ¥18,231 million. The reason for this increase was an increase in the number of engineers assigned to clients in the Temporary Staffing Business, which accounts for more than 90% of consolidated net sales, particularly in the professional staffing business for engineers, the core business of this segment. Operating income increased ¥157 million, or 11.6%, from a year earlier to ¥1,506 million.

The Company's non-consolidated utilization ratio (overall) was 91.5%, compared with 90.1% in the same period of the previous fiscal year, as new contracts continued to advance according to plan on the whole.

Also, working hours were steady at 8.86 hours/day, compared with 8.84 hours/day for the same period of the previous fiscal year.

(1)-2.ii Recruiting & Placement Business

The Recruiting & Placement Business segment operates job placement and information portal site businesses for engineers.

Net sales in the Recruiting & Placement Business advanced ¥63 million, or 26.5%, from a year earlier to ¥304 million, and operating income increased ¥6 million, or 10.1%, to ¥66 million.

Meitec Next achieved sales and profit growth due to an increasing number of job placements. However, due to an increase in costs for acquiring job seekers, operating income remained at about the level as a year earlier.

(1)-2.iii Engineering Solutions Business

In the Engineering Solutions Business segment, 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 period under review rose ¥48 million, or 9.0%, from a year earlier to ¥588 million, and operating income of ¥5 million was posted, compared with a loss of ¥25 million a year earlier.

Meitec CAE saw higher sales and profits on a recovery in orders received, among other factors. Apollo Giken reported higher sales and an operating loss, although the loss improved from a year earlier.

The Company plans to merge with Meitec CAE on October 1, 2014, with the goal of enhancing the added value of the Group's professional staffing business for engineers through CAE technologies.

Figure 4: Summary ; Meitec Group Results

(Millions of Yen, rounded down)	Temporary Staffing Business				Recruiting & Placement Business			Engineering Solutions Business	
	Meitec	Meitec Fielders	Meitec Cast	Meitec EX	Meitec NEXT	all engineer. jp	Meitec Shanghai HR, etc.	Meitec CAE	Apollo Giken Gr.
Net Sales	14,890	2,797	615	11	261	26	14	259	328
YoY Amount	+1,075	+356	(3)	—	+38	+24	+5	+33	+15
YoY %	+7.8%	+14.6%	(0.6%)	—	+17.5%	—	+71.1%	+14.6%	+4.9%
Operating Income	1,310	176	24	(7)	85	3	(30)	24	(19)
YoY Amount	+119	+56	(11)	—	(0)	+10	(8)	+4	+25
YoY %	+10.1%	+46.9%	(31.2%)	—	(0.7%)	—	—	+25.0%	—
Ordinary Income	1,731	176	24	(7)	85	3	(29)	24	(19)
YoY Amount	+170	+56	(11)	—	(0)	+11	(7)	+4	+28
YoY %	+10.9%	+46.5%	(31.2%)	—	(0.7%)	—	—	+25.0%	—
Net Income	1,131	105	14	(7)	54	3	(29)	15	(22)
YoY Amount	+158	+31	(7)	—	(3)	+10	(7)	+3	+11
YoY %	+16.3%	+41.5%	(32.9%)	—	(5.4%)	—	—	+28.6%	—

(2) Qualitative Information on the Consolidated Financial Position

Figure 5: Overview of the Consolidated Financial Position

(millions of yen, rounded down)	FY ended March 31, 2014	1st Q FY ended June 30, 2014	-----	
			YoY Amount	Change (%)
Total current assets	44,998	42,360	(2,638)	(5.9%)
Total noncurrent assets	16,447	15,535	(911)	(5.5%)
Total assets	61,445	57,895	(3,550)	(5.8%)
Total current liabilities	12,589	9,939	(2,650)	(21.0%)
Total noncurrent liabilities	12,667	10,708	(1,958)	(15.5%)
Total liabilities	25,257	20,648	(4,608)	(18.2%)
Total shareholders' equity	38,299	39,316	+1,016	+2.7%
Valuation and translation adjustments	(2,157)	(2,111)	+45	—
Minority interests	46	42	(3)	(7.8%)
Total net assets	36,188	37,247	+1,058	+2.9%
Total liabilities and net assets	61,445	57,895	(3,550)	(5.8%)

(2)-1. Assets

Total consolidated assets at the end of the first quarter (June 30, 2014) decreased ¥3,550 million from March 31, 2014 to ¥57,895 million. A major factor in this decrease was a ¥2,638 million decline in current assets from the previous fiscal year-end associated with a decrease in cash and deposits.

Main reasons for the decrease in cash and deposits were the payment of bonuses and income taxes payable, along with year-end dividends for the previous fiscal year.

(2)-2. Liabilities

Total consolidated liabilities as of June 30, 2014 decreased ¥4,608 million from March 31, 2014 to ¥20,648 million. This mainly reflects a decrease of ¥2,650 million in current liabilities from the previous fiscal year-end and a decrease of ¥1,958 million in non-current liabilities.

The major factors responsible for the decrease in current liabilities included a decrease in provision for bonuses according to the payment of bonuses and a decrease in income taxes payable. The main reason for the decrease in non-current liabilities was a decrease in net defined benefit liability following a change in accounting policy.

(2)-3. Net Assets

Total consolidated net assets as of June 30, 2014 increased ¥1,058 million from March 31, 2014 to ¥37,247 million. This is mainly the result of several effects offsetting one another, including an increase in retained earnings due to the business performance for the period under review, a decrease in retained earnings due to payment of dividends, and an increase in retained earnings due to the effects of a change in accounting policy for retirement benefits.

(3) Explanation of Forecast Information Such as Consolidated Earnings Forecast, etc.

(3)-1. Earnings Forecasts

As the consolidated operating results for the three months ended June 30, 2014 were mostly in line with the earnings forecasts for the period, the full-year forecasts for the fiscal year ending March 31, 2015 have not been revised.

For details of these forecasts, please refer to the Consolidated Financial Report for the Fiscal Year ended March 31, 2014, released on May 8, 2014, and the IR presentation materials on the Company's website.

(3)-2. Dividend Forecasts

No revision has been made to the most recent dividend forecasts because the earnings forecasts for the fiscal year have not been revised, as mentioned above.

For details of our basic policy regarding profit distribution, please refer to the Consolidated Financial Report for the Fiscal Year ended March 31, 2014, released on May 8, 2014, and the IR presentation materials on the Company's website.

Note: Earnings forecasts and other forward-looking statements in this release are based on data currently available to management and certain assumptions that management believes are reasonable. Actual results may therefore differ materially from these statements for various reasons.
Some important factors that might have an effect on business performance pertain to Business Risks stated in the Company's annual securities report and other information already released, but factors influencing business performance are not limited to those released.

2. Summary information (Notes)

(1) Application of special accounting for preparing quarterly consolidated financial statements Tax expenses

Tax expenses are calculated by multiplying the income before income taxes by the reasonably estimated effective tax rates after the application of tax effect accounting to the income before income taxes for the fiscal year including the first quarter ended June 30, 2014.

(2) Changes in accounting policies, changes in accounting estimates, and restatements Changes in accounting policies

(Application of the Accounting Standard for Retirement Benefits, etc.)

Regarding the "Accounting Standard for Retirement Benefits" (ASBJ Statement No. 26, May 17, 2012) and "Guidance on Accounting Standard for Retirement Benefits" (ASBJ Guidance No. 25, May 17, 2012), effective from the first quarter ended June 30, 2014, the Company has applied the provisions of the main clauses of Paragraph 35 of the Accounting Standard for Retirement Benefits and Paragraph 67 of Guidance on Accounting Standard for Retirement Benefits, reviewed its calculation method for retirement benefit obligations and current service costs, and changed its method of attributing expected benefits to periods from the straight-line basis to the benefit formula basis. In addition, the Company has changed the method for determining the discount rate from one that uses a discount rate based on the average remaining working lives of employees to one that uses a single weighted average discount rate.

Application of the Accounting Standard for Retirement Benefits and Guidance on Accounting Standard for Retirement Benefits is in line with the transitional measures provided in Paragraph 37 of the Accounting Standard for Retirement Benefits, and the effect of the revision to the calculation method for retirement benefit obligations and current service costs has been added to or deducted from retained earnings as of April 1, 2014. As a result, as of April 1, 2014, net defined benefit liability decreased by ¥2,138 million and retained earnings increased by ¥1,379 million. The effect of these changes on operating income, ordinary income and income before income taxes for the three months ended June 30, 2014 are immaterial.

3. Consolidated Financial statements
(1) Consolidated Balance Sheets

(Thousands of Yen)

	Fiscal year ended March 31, 2014	The 1st Quarter ended Jun. 30, 2014
Assets		
Current assets		
Cash and deposits	30,104,230	26,910,352
Notes and accounts receivable - trade	11,297,348	11,354,799
Work in process	243,102	562,051
Other	3,360,467	3,539,159
Allowance for doubtful accounts	(6,441)	(6,193)
Total current assets	44,998,707	42,360,168
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	6,600,141	6,525,448
Other, net	3,955,297	3,932,528
Total property, plant and equipment	10,555,438	10,457,977
Intangible assets		
Other	672,855	639,112
Total intangible assets	672,855	639,112
Investments and other assets		
Other	5,246,352	4,465,549
Allowance for doubtful accounts	(27,577)	(27,111)
Total investments and other assets	5,218,774	4,438,437
Total non-current assets	16,447,068	15,535,527
Total assets	61,445,775	57,895,695
Liabilities		
Current liabilities		
Accounts payable - trade	97,672	70,399
Income taxes payable	2,679,243	660,154
Provision for directors' bonuses	85,000	20,168
Provision for bonuses	5,314,401	2,465,257
Provision for loss on liquidation of subsidiaries and associates	70,818	62,967
Other	4,342,521	6,660,606
Total current liabilities	12,589,657	9,939,555
Non-current liabilities		
Net defined benefit liability	12,619,887	10,662,376
Other	47,661	46,388
Total non-current liabilities	12,667,548	10,708,764
Total liabilities	25,257,206	20,648,319
Net assets		
Shareholders' equity		
Capital stock	16,825,881	16,825,881
Capital surplus	8,054,223	8,054,223
Retained earnings	18,264,262	19,281,993
Treasury shares	(4,844,452)	(4,845,209)
Total shareholders' equity	38,299,915	39,316,889
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	3,041	5,335
Revaluation reserve for land	(878,313)	(878,313)
Foreign currency translation adjustment	(6,905)	(9,732)
Remeasurements of defined benefit plans	(1,275,200)	(1,229,221)
Total accumulated other comprehensive income	(2,157,377)	(2,111,932)
Minority interests	46,031	42,418
Total net assets	36,188,569	37,247,375
Total liabilities and net assets	61,445,775	57,895,695

(2) Consolidated Statements of Income and Comprehensive Income
(Consolidated Statements of Income)

(Thousands of Yen)

	The 1st Quarter ended Jun. 30, 2013	The 1st Quarter ended Jun. 30, 2014
Net sales	17,507,639	19,014,383
Cost of sales	13,048,494	14,350,485
Gross profit	4,459,144	4,663,897
Selling, general and administrative expenses	3,073,370	3,084,184
Operating income	1,385,774	1,579,712
Non-operating income		
Interest income	451	439
Dividend income	624	795
Other	6,419	10,596
Total non-operating income	7,495	11,830
Non-operating expenses		
Commitment fee	1,202	1,140
Foreign exchange losses	2,793	—
Other	665	168
Total non-operating expenses	4,661	1,309
Ordinary income	1,388,607	1,590,234
Extraordinary losses		
Loss on retirement of non-current assets	12,864	331
Impairment loss	5,137	—
Total extraordinary losses	18,002	331
Income before income taxes and minority interests	1,370,605	1,589,903
Income taxes	633,464	717,185
Income before minority interests	737,140	872,717
Minority interests in loss	(6,401)	(3,466)
Net income	743,542	876,183

(Consolidated Statements of Comprehensive Income)

(Thousands of Yen)

	The 1st Quarter ended Jun. 30, 2013	The 1st Quarter ended Jun. 30, 2014
Income before minority interests	737,140	872,717
Other comprehensive income		
Valuation difference on available-for-sale securities	(1,288)	2,293
Foreign currency translation adjustment	12,350	(2,953)
Remeasurements of defined benefit plans, net of tax	—	45,979
Total other comprehensive income	11,061	45,319
Comprehensive income	748,202	918,036
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	753,955	921,628
Comprehensive income attributable to minority interests	(5,753)	(3,592)

(3) Notes to Quaterly Financial Statements

(3)-1 Notes to Financial Statements Regarding Going Concern: None

(3)-2 Significant changes in shareholders' equity: None