



## Consolidated Financial Report For the Nine Months Ended December 31, 2014

February 3, 2015

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

### 1. Consolidated Results for the 3<sup>rd</sup> Quarter (April 1, 2014 to December 31, 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	%
Nine months ended December 31, 2014	60,121	9.2	6,688	27.0	6,714	26.8	2,113	(33.9)
Nine months ended December 31, 2013	55,071	5.2	5,265	1.6	5,293	0.9	3,195	1.7

(Note) Comprehensive Income; Nine months ended December 31, 2014: 2,259 million yen [(29.7%)]  
Nine months ended December 31, 2013: 3,214 million yen [ 2.7%]

	Net Income per Share	Diluted Net Income per Share
	Yen	Yen
Nine months ended December 31, 2014	69.22	—
Nine months ended December 31, 2013	102.72	—

#### (2) Consolidated financial position

	Total assets	Net assets	Equity ratio
	Millions of Yen	Millions of Yen	%
As of December 31, 2014	58,521	36,342	62.0
As of March 31, 2014	61,445	36,188	58.8

Reference: Shareholders' Equity; as of December 31, 2014: 36,295 million yen  
as of March 31, 2014: 36,142 million yen

### 2. Dividends

(Record date)	Annual Dividends per Share				
	1 <sup>st</sup> Quarter	2 <sup>nd</sup> Quarter	3 <sup>rd</sup> 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	—	44.00	—		
FY ending March 31, 2015 (Forecast)				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	%	
FY ending March 31, 2015	80,400	7.3	8,500	21.8	8,600	23.2	3,400	(14.4)	111.27

(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) |            |
| 3 <sup>rd</sup> quarter ended December 31, 2014:                              | 32,500,000 |
| FY ended March 31, 2014:  | 32,500,000 |
| ii. Number of treasury shares at the fiscal year end                          |            |
| 3 <sup>rd</sup> quarter ended December 31, 2014:                              | 2,214,263  |
| FY ended March 31, 2014:  | 1,944,494  |
| iii. Average number of shares outstanding during the period                   |            |
| 3 <sup>rd</sup> quarter ended December 31, 2014:                              | 30,529,784 |
| 3 <sup>rd</sup> quarter ended December 31, 2013:                              | 31,107,518 |

### **\* 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 "1. Qualitative Information on the Consolidated Results for the 3<sup>rd</sup> Quarter," "(3) Explanation of Forecast Information Such as Consolidated Earnings Forecast, etc."

## 1. Qualitative Information on the Consolidated Results for the 3<sup>rd</sup> Quarter

### (1) Qualitative Information on the Consolidated Operating Results

Figure 1: Summary ; Consolidated Operating Results

(Millions of yen, rounded down)	3 <sup>rd</sup> Q FY ended December 31, 2013	3 <sup>rd</sup> Q FY ended December 31, 2014		
			YoY Amount	Change (%)
Net Sales	55,071	60,121	+5,050	+9.2%
Cost of Sales	40,472	44,464	+3,992	+9.9%
SG&A Expenses	9,333	8,967	(366)	(3.9%)
Operating Income	5,265	6,688	+1,423	+27.0%
Ordinary Income	5,293	6,714	+1,421	+26.8%
Income before income taxes	5,271	3,254	(2,016)	(38.3%)
Net Income	3,195	2,113	(1,082)	(33.9%)

#### (1)-1. Consolidated Operating Results

During the nine months from April 1, 2014 to December 31, 2014, the Japanese economy continued to face an uncertain outlook due to economic trends in emerging markets, the slump in the European economies, and other factors. However, due to factors such as the effects of the government's economic 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 the strong order environment, as well as the effect of an increase in the number of engineers, the number of engineers assigned to clients steadily increased.

As a result, consolidated net sales for the period under review increased ¥5,050 million, or 9.2%, from a year earlier to ¥60,121 million. Consolidated cost of sales advanced ¥3,992 million, or 9.9%, from a year earlier to ¥44,464 million, chiefly because of increased labor costs due to an increase in the number of engineers. Consolidated selling, general and administrative expenses fell by ¥366 million, or 3.9%, from a year earlier to ¥8,967 million. As a result, consolidated operating income jumped ¥1,423 million, or 27.0%, from a year earlier to ¥6,688 million. Consolidated ordinary income increased ¥1,421 million, or 26.8%, from a year earlier to ¥6,714 million.

Moreover, during the second quarter, having judged that there will be no problem in the quality and quantity of engineer education and training, the Company decided to suspend the use of several aging training facilities and other facility in order to reduce the burden of maintenance costs and the risk of future cost increases. Chiefly as a result of this action, extraordinary losses of ¥3,467 million were recorded.

As a result of the above, consolidated net income decreased by ¥1,082 million, or 33.9%, from a year earlier to ¥2,113 million.

#### (1)-2. Operating Results of Business Segments

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."

Moreover, the Company merged with its consolidated subsidiary Meitec CAE on October 1, 2014. As a result, the operating results of Meitec CAE, which had been included in the Engineering Solutions Business segment were presented within the Temporary Staffing Business segment from the third quarter of the fiscal year under review. Therefore for this item, to facilitate 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. Operating results by business segment were as follows.

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	60,121	58,182	937	1,138	(137)
Component Ratio	100.0%	96.8%	1.6%	1.9%	(0.2%)
YoY Amount	+5,050	+4,830	+190	+65	(36)
%Change	+9.2%	+9.1%	+25.4%	+6.1%	—
Operating Income	6,688	6,450	239	(2)	2
Component Ratio	100.0%	96.4%	3.6%	(0.0%)	0.0%
YoY Amount	+1,423	+1,311	+88	+31	(7)
%Change	+27.0%	+25.5%	+58.2%	—	(79.0%)

Figure 3: Meitec Group Professional Staffing Business for Engineers

		3 <sup>rd</sup> Q FY ended December 31, 2013	3 <sup>rd</sup> Q FY ended December 31, 2014
MT*1+MF*2+CAE*3	Period-End Engineering Staff <sup>1</sup>	7,409	7,898
MT*1+MF*2	Period-End Engineering Staff <sup>1</sup>	7,318	7,898
	Utilization ratio(Company-wide)	94.0%	95.3%
	Utilization ratio (Excluding new hires <sup>2</sup> )	96.7%	97.6%
MT*1	Period-End Engineering Staff <sup>1</sup>	5,871	6,295
	Of which assigned to internal engineering projects <sup>1</sup>	58	48
	Utilization ratio (Company-wide)	93.9%	95.3%
	Utilization ratio (Excluding new hires <sup>2</sup> )	96.3%	97.4%
	Working Hours	8.90h/day	8.92h/day
MF*2	Period-End Engineering Staff	1,447	1,603
	Utilization ratio (Company-wide)	94.1%	95.1%
	Utilization ratio (Excluding new hires <sup>2</sup> )	98.2%	98.5%
	Working Hours	8.98h/day	9.02h/day
CAE*3	Period-End Engineering Staff	91	—

\*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](http://www.meitec.co.jp/e/ir/financial_performance.html)

Note 3: On October 1, 2014, CAE engineers were integrated into Meitec.

(1)-2.i Temporary Staffing Business

Net sales in the Temporary Staffing Business segment for the period under review increased ¥4,830 million, or 9.1%, from a year earlier to ¥58,182 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 ¥1,311 million, or 25.5%, from a year earlier to ¥6,450 million.

The Company's non-consolidated utilization ratio (overall) maintained a high level of 95.3%, compared with 93.9% in the same period of the previous fiscal year, as 378 newly graduated engineers who were hired in April of this year were smoothly assigned to customers, while assignment of existing engineers also continued to progress smoothly.

Also, working hours were steady at 8.92 hours/day (8.90 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 ¥190 million, or 25.4%, from a year earlier to ¥937 million, and operating income increased ¥88 million, or 58.2%, to ¥239 million.

Meitec Next achieved sales and profit growth due to a continuing increase in the number of job placements.

(1)-2.iii Engineering Solutions Business

The Engineering Solutions Business segment provides technology support services such as printed-circuit board design.

Net sales in the Engineering Solutions Business for the period under review rose ¥65 million, or 6.1%, from a year earlier to ¥1,138 million, and an operating loss of ¥2 million was posted, compared with a loss of ¥34 million a year earlier.

Apollo Giken Group saw an increase in sales, but continued to post an operating loss. The loss was associated with starting of the liquidation procedures of a Chinese subsidiary; Apollo Giken returned to operating profitability on a non-consolidated basis after recording an operating loss a year earlier.

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.	Apollo Giken Gr.
Net Sales	47,211	8,807	1,867	40	789	84	69	1,138
YoY Amount	+3,894	+975	+22	+33	+136	+53	+12	+65
YoY %	+9.0%	+12.4%	+1.2%	+447.4	+21.0%	+169.5	+23.0%	+6.1%
Operating Income	5,524	804	67	(21)	250	18	(54)	(3)
YoY Amount	+1,221	+114	(18)	+3	+12	+34	+12	+31
YoY %	+28.4%	+16.7%	(21.5%)	—	+5.5%	—	—	—
Ordinary Income	5,960	805	67	(21)	250	20	(51)	(0)
YoY Amount	+1,251	+113	(18)	+3	+12	+37	+17	+37
YoY %	+26.6%	+16.5%	(21.2%)	—	+5.4%	—	—	—
Net Income	2,117	494	40	(21)	160	17	(51)	(31)
YoY Amount	(840)	+66	(12)	+3	+0	+34	+17	(4)
YoY %	(28.4%)	+15.5%	(23.1%)	—	+0.4%	—	—	—

Note: On October 1, 2014, Meitec CAE, a consolidated subsidiary, was merged into Meitec. Thus, the result of Meitec CAE is included in Meitec and omitted from above table.

## (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	3 <sup>rd</sup> Q FY ended December 31, 2014	3 <sup>rd</sup> Q FY ended	
			YoY Amount	Change (%)
Total current assets	44,998	46,143	+1,145	+2.5%
Total noncurrent assets	16,447	12,377	(4,069)	(24.7%)
Total assets	61,445	58,521	(2,924)	(4.8%)
Total current liabilities	12,589	11,145	(1,444)	(11.5%)
Total noncurrent liabilities	12,667	11,034	(1,633)	(12.9%)
Total liabilities	25,257	22,179	(3,077)	(12.2%)
Total shareholders' equity	38,299	38,074	(225)	(0.6%)
Total accumulated other comprehensive income	(2,157)	(1,779)	+377	—
Minority interests	46	46	+0	+1.7%
Total net assets	36,188	36,342	+153	+0.4%
Total liabilities and net assets	61,445	58,521	(2,924)	(4.8%)

### (2)-1. Assets

Total consolidated assets at the end of the third quarter (December 31, 2014) decreased ¥2,924 million from March 31, 2014 to ¥58,521 million. This mainly reflects an increase of ¥1,145 million in current assets from the previous fiscal year-end and a decrease of ¥4,069 million in non-current assets.

Moreover, the increase in current assets was primarily due to an increase in Income taxes receivable, along with other factors, while the decrease in non-current assets was caused mainly by factors such as impairment loss associated with training facilities and other facility.

### (2)-2. Liabilities

Total consolidated liabilities as of December 31, 2014 decreased ¥3,077 million from March 31, 2014 to ¥22,179 million. This mainly reflects a decrease of ¥1,444 million in current liabilities from the previous fiscal year-end and a decrease of ¥1,633 million in non-current liabilities.

The decrease in current liabilities was primarily due to a decrease resulting from payment of income taxes payable, along with other factors, and the decrease in non-current liabilities was mainly due to factors such as a decrease in net defined benefit liability associated with a change in accounting policy.

### (2)-3. Net Assets

Total consolidated net assets as of December 31, 2014 increased ¥153 million from March 31, 2014 to ¥36,342 million. This is mainly the result of decrease in shareholder's equity due to 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 acquisition of treasury stock, and an increase in the total accumulated other comprehensive income consist of reversal of revaluation reserve for land due to suspension of the use of several aging training facilities and other facility and an increase in re-measurements of defined benefit plans.

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

#### (3)-1. Earnings Forecasts

As the consolidated operating results for the nine months ended December 31, 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 Six Months ended September 30, 2014, released on November 6, 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 third quarter ended December 31, 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 ¥1,379 million. The effect of these changes on operating income, ordinary income and income before income taxes for the nine months ended December 31, 2014 are immaterial.

3. Consolidated Financial Statements  
(1) Consolidated Balance Sheets

(Thousands of Yen)

	Fiscal year ended March 31, 2014	The 3rd Quarter ended Dec. 31, 2014
<b>Assets</b>		
Current assets		
Cash and deposits	30,104,230	29,997,399
Notes and accounts receivable - trade	11,297,348	11,437,696
Work in process	243,102	624,006
Other	3,360,467	4,091,466
Allowance for doubtful accounts	(6,441)	(6,634)
Total current assets	44,998,707	46,143,933
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	6,600,141	4,107,899
Other, net	3,955,297	3,169,810
Total property, plant and equipment	10,555,438	7,277,709
Intangible assets		
Other	672,855	703,804
Total intangible assets	672,855	703,804
Investments and other assets		
Other	5,246,352	4,421,778
Allowance for doubtful accounts	(27,577)	(25,728)
Total investments and other assets	5,218,774	4,396,049
Total non-current assets	16,447,068	12,377,563
Total assets	61,445,775	58,521,497
<b>Liabilities</b>		
Current liabilities		
Accounts payable - trade	97,672	102,788
Income taxes payable	2,679,243	158,956
Provision for directors' bonuses	85,000	45,048
Provision for bonuses	5,314,401	2,865,526
Provision for loss on liquidation of subsidiaries and associates	70,818	10,398
Other	4,342,521	7,962,355
Total current liabilities	12,589,657	11,145,073
Non-current liabilities		
Net defined benefit liability	12,619,887	11,013,231
Other	47,661	21,185
Total non-current liabilities	12,667,548	11,034,416
Total liabilities	25,257,206	22,179,490
<b>Net assets</b>		
Shareholders' equity		
Capital stock	16,825,881	16,825,881
Capital surplus	8,054,223	8,054,223
Retained earnings	18,264,262	18,942,367
Treasury shares	(4,844,452)	(5,747,645)
Total shareholders' equity	38,299,915	38,074,826
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	3,041	10,282
Revaluation reserve for land	(878,313)	(646,046)
Foreign currency translation adjustment	(6,905)	(6,621)
Remeasurements of defined benefit plans	(1,275,200)	(1,137,263)
Total accumulated other comprehensive income	(2,157,377)	(1,779,649)
Minority interests	46,031	46,829
Total net assets	36,188,569	36,342,007
Total liabilities and net assets	61,445,775	58,521,497



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

(Thousands of Yen)

	The 3rd Quarter ended Dec. 31, 2013	The 3rd Quarter ended Dec. 31, 2014
Net sales	55,071,717	60,121,896
Cost of sales	40,472,083	44,464,962
Gross profit	14,599,634	15,656,933
Selling, general and administrative expenses	9,333,991	8,967,987
Operating income	5,265,642	6,688,946
Non-operating income		
Interest income	3,989	4,469
Dividend income	1,323	1,629
Other	34,089	28,763
Total non-operating income	39,401	34,862
Non-operating expenses		
Commitment fee	3,593	3,319
Foreign exchange losses	4,152	—
Commission fee	839	3,859
Other	3,131	2,107
Total non-operating expenses	11,716	9,286
Ordinary income	5,293,328	6,714,522
Extraordinary income		
Gain on sales of investment securities	397	—
Gain on sales of golf memberships	—	7,550
Total extraordinary income	397	7,550
Extraordinary losses		
Impairment loss	5,137	3,463,539
Other	17,174	4,021
Total extraordinary losses	22,312	3,467,561
Income before income taxes and minority interests	5,271,413	3,254,510
Income taxes	2,079,178	1,140,293
Income before minority interests	3,192,235	2,114,217
Minority interests in income (loss)	(3,012)	973
Net income	3,195,247	2,113,244

## (Consolidated Statements of Comprehensive Income)

(Thousands of Yen)

	The 3rd Quarter ended Dec. 31, 2013	The 3rd Quarter ended Dec. 31, 2014
Income before minority interests	3,192,235	2,114,217
Other comprehensive income		
Valuation difference on available-for-sale securities	1,680	7,241
Foreign currency translation adjustment	20,460	108
Remeasurements of defined benefit plans, net of tax	—	137,937
Total other comprehensive income	22,141	145,286
Comprehensive income	3,214,376	2,259,503
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	3,216,316	2,258,705
Comprehensive income attributable to minority interests	(1,940)	798

## (3) Notes to Quaterly Financial Statements

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

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