MEITEC

(Note)This document has been translated from the Japanese original for reference purposes only. In the event of any discrepancy between this translation and the Japanese original, the original shall prevail.

Consolidated Financial Report
For the Nine Months Ended December 31, 2015

February 2, 2016

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

[Fractions of one million yen are rounded down]

1. Consolidated Results for the 3rd Quarter (April 1, 2015 to December 31, 2015)

(1) Consolidated operating results

(% is comparison to the previous fiscal year)

	Net Sales		Operating Income		Ordinary Income		Profit Attributable to Owners of Parent	
	Millions of Yen	%	Millions of Yen	%	Millions of Yen	%	Millions of Yen	%
Nine months ended December 31, 2015	64,399	7.1	7,758	16.0	7,733	15.2	5,840	176.4
Nine months ended December 31, 2014	60,121	9.2	6,688	27.0	6,714	26.8	2,113	(33.9)

(Note)Comprehensive Income; Nine months ended December 31, 2015: 6,010 million yen [166.0%]
Nine months ended December 31, 2014: 2,259 million yen [(29.7%)]

	Net Income per Share	Diluted Net Income per Share
	Yen	Yen
Nine months ended December 31, 2015	193.31	―
Nine months ended December 31, 2014	69.22	―

(2) Consolidated financial position

	Total Assets	Net Assets	Equity Ratio
	Millions of Yen	Millions of Yen	%
As of December 31, 2015	60,518	36,930	60.9
As of March 31, 2015	65,098	37,565	57.6

Reference: Shareholders' Equity; as of December 31, 2015: 36,877 million yen
as of March 31, 2015: 37,516 million yen

2. Dividends

	Annual Dividends per Share				
	1st Quarter	2nd Quarter	3rd Quarter	Year-end	Total
	Yen	Yen	Yen	Yen	Yen
FY ended March 31, 2015	―	44.00	―	67.00	111.00
FY ending March 31, 2016	―	63.00	―		
FY ending March 31, 2016 (Forecast)				63.00	126.00

(Note) Revision of dividends forecast from recent forecast: None
(Note) Details of year-end dividends for the year ended Mar. 31, 2015:
Regular dividends 91.00 yen, Commemorative dividends 20.00 yen (40th anniversary commemorative dividends)

3. Consolidated Forecasts for Fiscal Year ending March 31, 2016

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

	Net Sales		Operating Income		Ordinary Income		Profit Attributable to Owners of Parent		Net Income per Share
	Millions of Yen	%	Millions of Yen	%	Millions of Yen	%	Millions of Yen	%	
FY ending March 31, 2016	86,400	5.2	10,000	4.8	10,000	3.7	7,600	107.7	250.95

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

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

i. Change in accounting policies :	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)

3rd quarter ended December 31, 2015:	32,200,000
FY ended March 31, 2015:	32,200,000

ii. Number of treasury shares at the fiscal year end

3rd quarter ended December 31, 2015:	2,557,192
FY ended March 31, 2015:	1,914,685

iii. Average number of shares outstanding during the period

3rd quarter ended December 31, 2015:	30,212,893
3rd quarter ended December 31, 2014:	30,529,784

* 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 3rd Quarter,” “(3) Explanation of Forecast Information Such as Consolidated Earnings Forecast, etc.”

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1. Qualitative Information on the Consolidated Results for the 3rd Quarter

(1) Qualitative Information on the Consolidated Operating Results

Figure 1: Summary ; Consolidated Operating Results

(Millions of yen, rounded down)	3rd Q FY ended December 31, 2014	3rd Q FY ended December 31, 2015	YoY Amount	Change (%)
Net Sales	60,121	64,399	+4,277	+7.1%
Cost of Sales	44,464	47,578	+3,113	+7.0%
SG&A Expenses	8,967	9,063	+95	+1.1%
Operating Income	6,688	7,758	+1,069	+16.0%
Ordinary Income	6,714	7,733	+1,019	+15.2%
Income before income taxes minority interests	3,254	8,773	+5,519	+169.6%
Profit Attributable to Owners of Parent	2,113	5,840	+3,727	+176.4%

(1)-1. Consolidated Operating Results

During the nine months from April 1, 2015 to December 31, 2015, the Japanese economy continued to recover at a moderate pace supported by the government's economic and fiscal policies, among other factors. However, the outlook remained uncertain due to concerns of slowdowns in Chinese economy and emerging markets.

Under these circumstances, many leading manufacturers, which are the major clients of the Company, continued steady investment 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 ¥4,277 million, or 7.1%, from a year earlier to ¥64,399 million. Consolidated cost of sales rose ¥3,113 million, or 7.0%, from a year earlier to ¥47,578 million, chiefly because of higher labor costs due to an increase in the number of engineers. Consolidated selling, general and administrative expenses rose ¥95 million, or 1.1%, from a year earlier to ¥9,063 million. Consolidated operating income increased ¥1,069 million, or 16.0%, from a year earlier to ¥7,758 million, and consolidated ordinary income rose ¥1,019 million, or 15.2%, from a year earlier to ¥7,733 million.

Furthermore, the Company recorded extraordinary losses of approximately ¥3,500 million for the first nine months of the previous fiscal year, arising from the suspension of use of training facilities and other facility; however, in the period under review, the sale of all these facilities was completed, yielding extraordinary income of approximately ¥1,000 million.

As a result of the above, profit attributable to owners of parent increased ¥3,727 million, or 176.4% from a year earlier to ¥5,840 million.

Effective from the first quarter of the fiscal year under review, the Company has adopted the "Accounting Standard for Business Combinations" (ASBJ Statement No. 21, September 13, 2013) and other accounting standards. As a result, former "net income" is now shown as "profit attributable to owners of parent."

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(1)-2. Operating Results of Business Segments

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		64,399	62,199	1,081	1,292	(174)
	Component Ratio	100.0%	96.6%	1.7%	2.0%	(0.3%)
	YoY Amount	+4,277	+4,016	+144	+153	(37)
	%Change	+7.1%	+6.9%	+15.4%	+13.5%	—
Operating Income		7,758	7,400	325	32	(0)
	Component Ratio	100.0%	95.4%	4.2%	0.4%	(0.0%)
	YoY Amount	+1,069	+950	+85	+34	(2)
	%Change	+16.0%	+14.7%	+35.9%	—	—

Figure 3: Meitec Group Temporary Engineer Staffing Business

		3rd Q FY ended December 31, 2014	3rd Q FY ended December 31, 2015
MT[*1]+MF[*2]	Period-End Engineering Staff[1]	7,898	8,322
	Utilization ratio(Company-wide)	95.3%	96.4%
	Utilization ratio (Excluding new hires)	97.6%	98.3%
MT[*1]	Period-End Engineering Staff[1]	6,295	6,544
	Of which assigned to internal engineering projects[1]	48	33
	Utilization ratio (Company-wide)	95.3%	96.7%
	Utilization ratio (Excluding new hires)	97.4%	98.2%
	Working Hours	8.92h/day	8.81h/day
MF[*2]	Period-End Engineering Staff	1,603	1,778
	Utilization ratio (Company-wide)	95.1%	95.5%
	Utilization ratio (Excluding new hires)	98.5%	98.8%
	Working Hours	9.02h/day	8.92h/day

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

Note1 : Number of engineers for Meitec does not include engineers who are assigned to our internal engineering projects and lecturer for internal training.

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 ¥4,016 million, or 6.9%, from a year earlier to ¥62,199 million. The main reason for the 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 ¥950 million, or 14.7%, from a year earlier to ¥7,400 million.

The Company's non-consolidated utilization ratio (overall) maintained a high level of 96.7%, compared with 95.3% in the same period of the previous fiscal year, as 299 newly graduated engineers who were hired in April of this year were assigned to clients largely in line with plan, while assignment of existing engineers also continued to progress smoothly.

Moreover, while the order environment continued to be brisk from the first half of the year, working hours declined to 8.81 hours/day (8.92 hours/day for the same period of the previous fiscal year), because of a decline in overtime hours work at some clients and an increase in use of paid leave, etc.

(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 increased ¥144 million, or 15.4%, from a year earlier to ¥1,081 million, and operating income increased ¥85 million, or 35.9%, to ¥325 million.

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

(1)-2.iii Engineering Solutions Business

The Engineering Solutions Business segment provides technology support services for printed-circuit boards.

Net sales in the Engineering Solutions Business for the period under review rose ¥153 million, or 13.5%, from a year earlier to ¥1,292 million, and operating income of ¥32 million was posted, compared with an operating loss of ¥2 million a year earlier.

Apollo Giken Group saw an increase in sales, and returned to operating profitability 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		50,607	9,813	1,953	48	948	100	50	1,292
	YoY Amount	+3,396	+1,005	+85	+8	+158	+16	(18)	+153
	YoY %	+7.2%	+11.4%	+4.6%	+20.4%	+20.1%	+19.2%	(26.7%)	+13.5%
Operating Income		6,457	889	60	(20)	295	40	(24)	31
	YoY Amount	+933	+84	(6)	+0	+45	+22	+30	+34
	YoY %	+16.9%	+10.5%	(9.3%)	—	+18.1%	+117.5%	—	—
Ordinary Income		6,925	890	60	(20)	295	40	(29)	32
	YoY Amount	+965	+85	(6)	+0	+45	+19	+21	+32
	YoY %	+16.2%	+10.6%	(10.2%)	—	+18.1%	+94.9%	—	—
Net Income		5,492	570	38	(20)	197	35	(29)	21
	YoY Amount	+3,374	+75	(2)	+0	+36	+18	+21	+53
	YoY %	+159.4%	+15.2%	(6.8%)	—	+22.7%	+101.8%	—	—

Note: On October 1, 2014, Meitec CAE, a consolidated subsidiary, was merged into Meitec. Consequently, for calculating YoY changes, Meitec's results for the first six months of the previous fiscal year do not include Meitec CAE's results.

(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, 2015	3rd Q FY ended December 31, 2015	YoY Amount	Change (%)
Total current assets	51,639	48,527	(3,111)	(6.0%)
Total non-current assets	13,458	11,990	(1,467)	(10.9%)
Total assets	65,098	60,518	(4,579)	(7.0%)
Total current liabilities	15,797	11,393	(4,403)	(27.9%)
Total non-current liabilities	11,735	12,194	+458	＋3.9%
Total liabilities	27,532	23,587	(3,944)	(14.3%)
Total shareholders' equity	39,619	38,815	(804)	(2.0%)
Total accumulated other comprehensive income	(2,103)	(1,937)	+165	—
Non-controlling interests	48	53	+4	＋8.5%
Total net assets	37,565	36,930	(634)	(1.7%)
Total liabilities and net assets	65,098	60,518	(4,579)	(7.0%)

(2)-1. Assets

Total consolidated assets at the end of the third quarter (December 31, 2015) decreased ¥4,579 million from March 31, 2015 to ¥60,518 million. This reflected a decrease of ¥3,111 million in current assets from the previous fiscal year-end, and a decrease of ¥1,467 million in non-current assets from the previous fiscal year-end.

The decrease in current assets was mainly due to a decrease in deposits, while the decline in non-current assets was mainly due to the sale of disused training facilities.

(2)-2. Liabilities

Total consolidated liabilities as of December 31, 2015 decreased ¥3,944 million from March 31, 2015 to ¥23,587 million. This mainly reflects a decrease of ¥4,403 million in current liabilities from the previous fiscal year-end and an increase of ¥458 million in non-current liabilities.

The decrease in current liabilities was mainly due to a decrease in provision for bonuses after the payment of bonuses, and payments of accrued consumption taxes and income taxes payable.

(2)-3. Net Assets

Total consolidated net assets as of December 31, 2015 decreased ¥634 million from March 31, 2015 to ¥36,930 million. This mainly reflected an increase in retained earnings due to business performance in the period under review, offset by the payment of dividends and purchase of treasury shares.

(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, 2015 were mostly in line with the earnings forecasts for the period, the full-year forecasts for the fiscal year ending March 31, 2016 have not been revised.

For details of these forecasts, please refer to the Consolidated Financial Report for the Six Months ended September 30, 2015, released on November 5, 2015, 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, 2015, released on May 12, 2015, 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, and it is not intended to promise the realization.
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, 2015.

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

Changes in accounting policies

(Application of Accounting Standard for Business Combinations, etc.)

Effective from the first quarter under review, the Company adopted the "Accounting Standard for Business Combinations" (ASBJ Statement No. 21, September 13, 2013), the "Accounting Standard for Consolidated Financial Statements" (ASBJ Statement No. 22, September 13, 2013) and the "Accounting Standard for Business Divestitures" (ASBJ Statement No. 7, September 13, 2013). As a result, the method of recording the amount of difference caused by changes in the Company's ownership interests in subsidiaries in the case of subsidiaries under ongoing control of the Company was changed to one in which it is recorded as capital surplus, and the method of recording acquisition-related costs was changed to one in which they are recognized as expenses for the fiscal year in which they are incurred. Furthermore, for business combinations carried out on or after the start of the first quarter under review, the accounting method was changed to one in which the reviewed acquisition cost allocation resulting from the finalization of the tentative accounting treatment is reflected in the quarterly consolidated financial statements for the quarterly period in which the business combination occurs. In addition, the presentation method for "net income" and other related items has been changed, and "minority interests" are now presented as "non-controlling interests." To reflect these changes, the Company has restated its quarterly and full-year consolidated financial statements for the first nine months of the previous fiscal year and the previous fiscal year.

Application of the Accounting Standard for Business Combinations, etc. is in line with the transitional measures provided in Paragraph 58-2 (4) of the Accounting Standard for Business Combinations, Paragraph 44-5 (4) of the Accounting Standard for Consolidated Financial Statements and Paragraph 57-4 (4) of the Accounting Standard for Business Divestitures. Application of the standard commenced at the start of the first quarter under review and will continue going forward.

This change has no impact on profit and loss.

3. Consolidated Financial Statements

(1)Consolidated Balance Sheets

(Thousands of Yen)

	Fiscal year ended March 31, 2015	The 3rd Quarter ended Dec. 31, 2015
Assets		
Current assets		
Cash and deposits	34,773,112	31,980,405
Notes and accounts receivable - trade	12,858,068	12,109,194
Work in process	292,824	592,272
Other	3,718,562	3,848,571
Allowance for doubtful accounts	(2,950)	(2,514)
Total current assets	51,639,617	48,527,929
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	4,069,807	3,947,491
Other, net	3,138,039	1,771,685
Total property, plant and equipment	7,207,847	5,719,176
Intangible assets		
Other	701,060	742,491
Total intangible assets	701,060	742,491
Investments and other assets		
Other	5,576,671	5,555,376
Allowance for doubtful accounts	(26,875)	(26,330)
Total investments and other assets	5,549,796	5,529,046
Total non-current assets	13,458,703	11,990,714
Total assets	65,098,321	60,518,643
Liabilities		
Current liabilities		
Accounts payable - trade	145,185	123,711
Income taxes payable	2,189,512	1,284,288
Provision for directors' bonuses	80,509	114,641
Provision for bonuses	5,955,984	3,136,901
Provision for loss on liquidation of subsidiaries and associates	5,859	—
Other	7,420,394	6,734,099
Total current liabilities	15,797,445	11,393,642
Non-current liabilities		
Net defined benefit liability	11,709,194	12,175,854
Other	26,023	18,232
Total non-current liabilities	11,735,218	12,194,087
Total liabilities	27,532,663	23,587,729
Net assets		
Shareholders' equity		
Capital stock	16,825,881	16,825,881
Capital surplus	7,275,447	7,275,447
Retained earnings	20,488,993	22,392,385
Treasury shares	(4,970,365)	(7,678,175)
Total shareholders' equity	39,619,957	38,815,539
Accumulated other comprehensive income		
Revaluation reserve for land	(646,046)	(646,046)
Foreign currency translation adjustment	(579)	(2,133)
Remeasurements of defined benefit plans	(1,456,612)	(1,289,566)
Total accumulated other comprehensive income	(2,103,238)	(1,937,747)
Non-controlling interests	48,938	53,122
Total net assets	37,565,657	36,930,914
Total liabilities and net assets	65,098,321	60,518,643

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

(Thousands of Yen)

	The 3rd Quarter ended Dec. 31, 2014	The 3rd Quarter ended Dec. 31, 2015
Net sales	60,121,896	64,399,570
Cost of sales	44,464,962	47,578,076
Gross profit	15,656,933	16,821,494
Selling, general and administrative expenses	8,967,987	9,063,461
Operating income	6,688,946	7,758,032
Non-operating income		
Interest income	4,469	6,805
Dividend income	1,629	75
Other	28,763	13,606
Total non-operating income	34,862	20,486
Non-operating expenses		
Commitment fee	3,319	2,691
Taxes and dues	—	26,135
Other	5,966	15,707
Total non-operating expenses	9,286	44,533
Ordinary income	6,714,522	7,733,985
Extraordinary income		
Gain on sales of golf memberships	7,550	—
Gain on sales of non-current assets	—	1,084,965
Total extraordinary income	7,550	1,084,965
Extraordinary losses		
Impairment loss	3,463,539	25,655
Loss on retirement of non-current assets	3,942	1,397
Loss on sales of non-current assets	79	9,505
Other	—	8,550
Total extraordinary losses	3,467,561	45,109
Income before income taxes and minority interests	3,254,510	8,773,842
Income taxes	1,140,293	2,929,174
Profit	2,114,217	5,844,667
Profit attributable to non-controlling interests	973	4,212
Profit attributable to owners of parent	2,113,244	5,840,454

(Consolidated Statements of Comprehensive Income)

(Thousands of Yen)

	The 3rd Quarter ended Dec. 31, 2014	The 3rd Quarter ended Dec. 31, 2015
Profit	2,114,217	5,844,667
Other comprehensive income		
Valuation difference on available-for-sale securities	7,241	—
Foreign currency translation adjustment	108	(1,520)
Remeasurements of defined benefit plans, net of tax	137,937	167,046
Total other comprehensive income	145,286	165,525
Comprehensive income	2,259,503	6,010,192
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	2,258,705	6,005,946
Comprehensive income attributable to non-controlling interests	798	4,246

(3) Notes to Quaterly Financial Statements

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

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