



## Consolidated Financial Report For the Three Months Ended June 30, 2016

July 28, 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 1st Quarter (April 1, 2016 to June 30, 2016)

#### (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	%
Three months ended June 30, 2016	21,822	5.0	2,397	4.7	2,398	4.9	1,543	10.0
Three months ended June 30, 2015	20,780	9.3	2,290	45.0	2,285	43.7	1,404	60.2

(Note) Comprehensive Income; Three months ended June 30, 2016: 1,611 million yen [10.3%]  
Three months ended June 30, 2015: 1,461 million yen [59.1%]

	Net Income per Share	Diluted Net Income per Share
	Yen	Yen
Three months ended June 30, 2016	52.63	—
Three months ended June 30, 2015	46.36	—

#### (2) Consolidated financial position

	Total Assets	Net Assets	Equity Ratio
	Millions of Yen	Millions of Yen	%
As of June 30, 2016	61,289	36,175	58.9
As of March 31, 2016	64,468	37,605	58.2

Reference: Shareholders' Equity; as of June 30, 2016: 36,113 million yen  
as of March 31, 2016: 37,543 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, 2016	—	63.00	—	81.00	144.00
FY ending March 31, 2017	—	—	—	—	—
FY ending March 31, 2017 (Forecast)	—	51.50	—	68.50	120.00

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

### 3. Consolidated Forecasts for Fiscal Year ending March 31, 2017

(% 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	%	
Six months ending September 30, 2016	43,800	3.9	4,600	(3.0)	4,600	(2.6)	3,000	(21.0)	102.17
FY ending March 31, 2017	90,500	3.0	10,300	(5.3)	10,300	(5.0)	7,000	(13.4)	238.39

(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) 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) |            |
| 1st quarter ended June 30, 2016:  | 31,300,000 |
| FY ended March 31, 2016:  | 31,300,000 |
| ii. Number of treasury shares at the fiscal year end                          |            |
| 1st quarter ended June 30, 2016:  | 2,116,558  |
| FY ended March 31, 2016:  | 1,936,687  |
| iii. Average number of shares outstanding during the period                   |            |
| 1st quarter ended June 30, 2016:  | 29,335,729 |
| 1st quarter ended June 30, 2015:  | 30,285,167 |

**\* 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, 2015	1st Q FY ended June 30, 2016	YoY Amount	Change (%)
Net Sales	20,780	21,822	+1,042	+5.0%
Cost of Sales	15,487	16,286	+798	+5.2%
SG&A Expenses	3,002	3,139	+136	+4.6%
Operating Income	2,290	2,397	+107	+4.7%
Ordinary Income	2,285	2,398	+112	+4.9%
Profit before income taxes	2,279	2,395	+116	+5.1%
Profit Attributable to Owners of Parent	1,404	1,543	+139	+10.0%

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

During the three months from April 1, 2016 to June 30, 2016, the Japanese economy continued to recover at a moderate pace due to factors such as the impact of the government's economic and fiscal policies. However, the outlook became uncertain due to factors including the impact of the United Kingdom's departure from the European Union and concerns over the slowdown in growth among emerging countries.

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 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 ¥1,042 million, or 5.0%, from a year earlier to ¥21,822 million. Consolidated cost of sales rose ¥798 million, or 5.2%, from a year earlier to ¥16,286 million, chiefly because of higher labor costs due to an increase in the number of engineers as 520 new graduates joined us in April 2016 (MT: 338, MF: 182). Consolidated selling, general and administrative expenses rose ¥136 million, or 4.6%, from a year earlier to ¥3,139 million. As a result, consolidated operating income increased ¥107 million, or 4.7%, from a year earlier to ¥2,397 million, and consolidated ordinary income rose ¥112 million, or 4.9%, from a year earlier to ¥2,398 million.

Profit attributable to owners of parent increased ¥139 million, or 10.0%, from a year earlier to ¥1,543 million.

## (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	21,822	21,049	439	383	(49)
Component Ratio	100.0%	96.5%	2.0%	1.8%	(0.2)%
YoY Amount	+1,042	+981	+70	(21)	+11
%Change	+5.0%	+4.9%	+19.1%	(5.3)%	—
Operating Income	2,397	2,260	164	(27)	—
Component Ratio	100.0%	94.3%	6.9%	(1.1)%	—
YoY Amount	+107	+115	+35	(40)	(3)
%Change	+4.7%	+5.4%	+27.2%	—	(100.0)%

Figure 3: Meitec Group Temporary Engineer Staffing Business

		1st Q FY ended June 30, 2015	1st Q FY ended June 30, 2016
MT* <sup>1</sup> +MF* <sup>2</sup>	Period-End Engineering Staff <sup>1</sup>	8,343	8,742
	Utilization ratio (Company-wide)	93.7%	93.4%
	Utilization ratio (Excluding new hires)	98.0%	98.0%
MT* <sup>1</sup>	Period-End Engineering Staff <sup>1</sup>	6,574	6,772
	Of which assigned to internal engineering projects <sup>1</sup>	46	43
	Utilization ratio (Company-wide)	94.5%	93.9%
	Utilization ratio (Excluding new hires)	97.9%	97.8%
	Working Hours	8.82h/day	8.77h/day
MF* <sup>2</sup>	Period-End Engineering Staff	1,769	1,970
	Utilization ratio (Company-wide)	91.0%	91.8%
	Utilization ratio (Excluding new hires)	98.2%	98.6%
	Working Hours	8.91h/day	8.83h/day

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

Note 1: 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 website 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)

#### (1)-2.i Temporary Staffing Business

Net sales in the Temporary Staffing Business segment for the fiscal year under review increased ¥981 million, or 4.9%, from a year earlier to ¥21,049 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 ¥115 million, or 5.4%, from a year earlier to ¥2,260 million.

The Company's non-consolidated utilization ratio (overall) maintained a level of 93.9%, a slight decline compared with 94.5% in the same period of the previous fiscal year. The main reason was that a larger number of newly graduated engineers joined the Company in April this year compared with last year.

Also, working hours declined to 8.77 hours/day (8.82 hours/day for the same period of the previous fiscal year) because of a decline in overtime hours at some clients, 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 ¥70 million, or 19.1%, from a year earlier to ¥439 million, and operating income increased ¥35 million, or 27.2%, to ¥164 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 board business.

Net sales in the Engineering Solutions Business for the period under review declined ¥21 million, or 5.3%, from a year earlier to ¥383 million, and the segment reported an operating loss, due to a decrease in orders received.

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
Net Sales	16,886	3,535	675	21	393	33	18	383
YoY Amount	+526	+425	+16	+4	+60	(1)	+10	(21)
YoY %	+3.2%	+13.7%	+2.4%	+29.4%	+18.3%	(3.2)%	+130.3%	(5.3)%
Operating Income	1,983	246	33	(7)	156	10	(2)	(28)
YoY Amount	+64	+53	+0	(1)	+31	(4)	+12	(40)
YoY %	+3.3%	+27.6%	+1.4%	—	+24.7%	(28.3)%	—	—
Ordinary Income	2,555	246	33	(7)	156	10	(2)	(28)
YoY Amount	+159	+53	+0	(1)	+30	(4)	+11	(41)
YoY %	+6.7%	+27.5%	+2.4%	—	+24.6%	(27.9)%	—	—
Profit	1,808	177	23	(7)	106	9	(2)	(0)
YoY Amount	+171	+56	+2	(1)	+22	(3)	+11	(8)
YoY %	+10.5%	+47.2%	+12.1%	—	+26.5%	(25.5)%	—	—

## (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, 2016	1st Q FY ended June 30, 2016	YoY Amount	Change (%)
Total current assets	53,104	50,016	(3,088)	(5.8)%
Total non-current assets	11,363	11,273	(90)	(0.8)%
Total assets	64,468	61,289	(3,178)	(4.9)%
Total current liabilities	13,650	11,741	(1,908)	(14.0)%
Total non-current liabilities	13,212	13,372	+159	+1.2%
Total liabilities	26,862	25,113	(1,748)	(6.5)%
Total shareholders' equity	39,973	38,476	(1,497)	(3.7)%
Total accumulated other comprehensive income	(2,429)	(2,362)	+67	—
Non-controlling interests	61	61	+0	+0.2%
Total net assets	37,605	36,175	(1,430)	(3.8)%
Total liabilities and net assets	64,468	61,289	(3,178)	(4.9)%

### (2)-1. Assets

Total consolidated assets at the end of the first quarter (June 30, 2016) decreased ¥3,178 million from March 31, 2016 to ¥61,289 million. This mainly reflected a decline of ¥3,088 million in current assets from the previous fiscal year-end due to a drop in cash and deposits.

The drop in cash and deposits was mainly due to 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, 2016 decreased ¥1,748 million from March 31, 2016 to ¥25,113 million. This mainly reflected a decrease of ¥1,908 million in current liabilities from the previous fiscal year-end.

The decrease in current liabilities was mainly due to a decrease in provision for bonuses after the payment of bonuses.

### (2)-3. Net Assets

Total consolidated net assets as of June 30, 2016 decreased ¥1,430 million from March 31, 2016 to ¥36,175 million. This mainly reflected an increase in profit attributable to owners of parent 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 three months ended June 30, 2016 were mostly in line with the initial earnings plan for the period, the full-year forecasts for the fiscal year ending March 31, 2017 have not been revised.

For details of these forecasts, please refer to the Consolidated Financial Report for the Fiscal Year ended March 31, 2016, released on May 10, 2016, 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, 2016, released on May 10, 2016, 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 profit before income taxes by the reasonably estimated effective tax rates after the application of tax effect accounting to the profit before income taxes for the fiscal year including the first quarter ended June 30, 2016.

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

#### Changes in accounting policies

##### (Application of Practical Solution on a Change in Depreciation Method Due to Tax Reform 2016)

Following the revision to the Corporation Tax Act, the Company adopted the "Practical Solution on a Change in Depreciation Method Due to Tax Reform 2016" (ASBJ PITF No. 32, June 17, 2016) effective from the first quarter under review, and changed the depreciation method for facilities attached to buildings and structures acquired on or after April 1, 2016 from the declining balance method to the straight line method.

The effect of this change on profit and loss is immaterial.

3. Consolidated Financial Statements  
(1) Consolidated Balance Sheets

(Thousands of Yen)

	Fiscal year ended March 31, 2016	The 1st Quarter ended Jun. 30, 2016
<b>Assets</b>		
Current assets		
Cash and deposits	35,413,980	31,634,383
Notes and accounts receivable - trade	13,823,668	13,162,317
Work in process	253,121	506,426
Other	3,614,737	4,713,598
Allowance for doubtful accounts	(659)	(545)
Total current assets	53,104,848	50,016,180
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	3,932,414	3,897,467
Other, net	1,788,801	1,782,941
Total property, plant and equipment	5,721,215	5,680,409
Intangible assets		
Other	744,873	736,865
Total intangible assets	744,873	736,865
Investments and other assets		
Other	4,923,425	4,881,171
Allowance for doubtful accounts	(26,116)	(25,268)
Total investments and other assets	4,897,309	4,855,903
Total non-current assets	11,363,398	11,273,177
Total assets	64,468,247	61,289,358
<b>Liabilities</b>		
Current liabilities		
Accounts payable - trade	236,270	112,371
Income taxes payable	1,262,313	827,789
Provision for directors' bonuses	168,466	38,504
Provision for bonuses	6,446,314	2,953,851
Other	5,536,938	7,809,151
Total current liabilities	13,650,303	11,741,669
Non-current liabilities		
Net defined benefit liability	13,195,915	13,356,891
Other	16,603	15,408
Total non-current liabilities	13,212,519	13,372,300
Total liabilities	26,862,822	25,113,969
<b>Net assets</b>		
Shareholders' equity		
Capital stock	16,825,881	5,000,000
Capital surplus	4,491,970	16,317,852
Retained earnings	24,645,186	23,810,617
Treasury shares	(5,989,693)	(6,652,435)
Total shareholders' equity	39,973,345	38,476,034
Accumulated other comprehensive income		
Revaluation reserve for land	(662,440)	(662,440)
Foreign currency translation adjustment	8,833	6,104
Remeasurements of defined benefit plans	(1,776,060)	(1,706,156)
Total accumulated other comprehensive income	(2,429,668)	(2,362,493)
Non-controlling interests	61,747	61,848
Total net assets	37,605,424	36,175,389
Total liabilities and net assets	64,468,247	61,289,358



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

(Thousands of Yen)

	The 1st Quarter ended Jun. 30, 2015	The 1st Quarter ended Jun. 30, 2016
Net sales	20,780,607	21,822,959
Cost of sales	15,487,845	16,286,267
Gross profit	5,292,761	5,536,691
Selling, general and administrative expenses	3,002,439	3,139,306
Operating income	2,290,321	2,397,385
Non-operating income		
Interest income	1,423	738
Rent income	1,090	997
Other	2,519	2,056
Total non-operating income	5,032	3,792
Non-operating expenses		
Commitment fee	951	752
Commission fee	—	1,888
Taxes and dues	5,611	—
Other	2,889	115
Total non-operating expenses	9,452	2,756
Ordinary income	2,285,902	2,398,421
Extraordinary losses		
Loss on retirement of non-current assets	0	2,865
Impairment loss	6,830	—
Other	4	92
Total extraordinary losses	6,834	2,957
Profit before income taxes	2,279,067	2,395,463
Income taxes	873,197	851,503
Profit	1,405,869	1,543,960
Profit attributable to non-controlling interests	1,832	100
Profit attributable to owners of parent	1,404,037	1,543,859

(Consolidated Statements of Comprehensive Income)

(Thousands of Yen)

	The 1st Quarter ended Jun. 30, 2015	The 1st Quarter ended Jun. 30, 2016
Profit	1,405,869	1,543,960
Other comprehensive income		
Foreign currency translation adjustment	(524)	(2,729)
Remeasurements of defined benefit plans, net of tax	55,682	69,904
Total other comprehensive income	55,157	67,174
Comprehensive income	1,461,027	1,611,135
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	1,459,175	1,611,034
Comprehensive income attributable to non-controlling interests	1,851	100

### (3) Notes to Quaterly Financial Statements

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

(3)-2 Significant changes in shareholders' equity:

Changes in capital stock and capital surplus

The reduction of capital stock and legal capital surplus was resolved at the Annual General Meeting of Shareholders held on June 23, 2016 and these accounts were reduced and transferred in the first three months under review as follows:

(3)-2.i Change in capital stock

Amount of reduction in capital stock	¥11,825,881 thousand
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(3)-2.ii Change in capital surplus

Amount of reduction in legal capital surplus	¥2,960,000 thousand
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Amount of increase in other capital surplus	¥14,785,881 thousand
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