



Consolidated Financial Report For the Fiscal Year Ended March 31, 2017

May 11, 2017

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 Fiscal Year Ended March 31, 2017 (April 1, 2016 to March 31, 2017)

(1) Consolidated operating results

(% is comparison to the previous fiscal year)

	Net Sales		Operating Profit		Ordinary Profit		Profit Attributable to Owners of Parent	
	Millions of Yen	%	Millions of Yen	%	Millions of Yen	%	Millions of Yen	%
FY ended March 31, 2017	89,979	2.4	11,142	2.5	11,145	2.8	7,937	(1.8)
FY ended March 31, 2016	87,888	7.0	10,874	14.0	10,845	12.5	8,083	120.9

(Note) Comprehensive Income; FY ended March 31, 2017: 8,248 million yen [6.0 %]
 FY ended March 31, 2016: 7,783 million yen [123.4 %]

	Earnings per Share	Diluted Net Income per Share	Return on Equity	Ordinary Profit to Total Assets ratio	Operating Profit per Net Sales
	Yen	Yen	%	%	%
FY ended March 31, 2017	274.32	—	21.1	17.0	12.4
FY ended March 31, 2016	269.24	—	21.5	16.7	12.4

(2) Consolidated financial position

	Total Assets	Net Assets	Equity Ratio	Net Assets per Share
	Millions of Yen	Millions of Yen	%	Yen
As of March 31, 2017	66,377	37,854	57.0	1,330.57
As of March 31, 2016	64,468	37,605	58.2	1,278.59

Reference: Shareholders' Equity; as of March 31, 2017: 37,851 million yen
 as of March 31, 2016: 37,543 million yen

(3) Consolidated cash flows

	Cash flows from Operating activities	Cash flows from Investing activities	Cash flows from financing activities	Cash and Cash Equivalents end of period
	Millions of Yen	Millions of Yen	Millions of Yen	Millions of Yen
FY ended March 31, 2017	10,186	(325)	(8,011)	37,259
FY ended March 31, 2016	6,910	1,487	(7,752)	35,413

2. Dividends

	Annual Dividends per Share					Total Amount (Annual)	Dividend Payout ratio (Consolidated)	Dividend on Equity (Consolidated)
	1st Quarter	2nd Quarter	3rd Quarter	Year-end	Total			
	Yen	Yen	Yen	Yen	Yen	Millions of Yen	%	%
FY ended March 31, 2016	—	63.00	—	81.00	144.00	4,286	53.5	11.4
FY ended March 31, 2017	—	68.00	—	83.50	151.50	4,343	55.2	11.6
FY ending March 31, 2018(Forecast)	—	65.50	—	82.50	148.00		60.1	

3. Consolidated Forecasts for the Fiscal Year Ending March 31, 2018

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

	Net Sales		Operating Profit		Ordinary Profit		Profit Attributable to Owners of Parent		Net Income per Share
	Millions of Yen	%	Millions of Yen	%	Millions of Yen	%	Millions of Yen	%	Yen
Six months ending September 30, 2017	45,000	2.0	4,800	(5.3)	4,800	(5.4)	3,100	(10.6)	108.97
FY ending March 31, 2018	92,000	2.2	10,400	(6.7)	10,400	(6.7)	7,000	(11.8)	246.07

Notes to Financial Statements

- (1) Significant changes involving subsidiaries during the term: None
(Changes in specific subsidiaries that affected the scope of consolidation)
- (2) 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 |
- (3) Number of shares issued (common stock)
- | | |
|---|------------|
| i. Number of shares issued at the fiscal year end (including treasury shares) | |
| FY ended March 31, 2017: | 30,000,000 |
| FY ended March 31, 2016: | 31,300,000 |
| ii. Number of treasury shares at the fiscal year end | |
| FY ended March 31, 2017: | 1,552,542 |
| FY ended March 31, 2016: | 1,936,687 |
| iii. Average number of shares outstanding during the period | |
| FY ended March 31, 2017: | 28,934,753 |
| FY ended March 31, 2016: | 30,024,039 |

* Financial report is not subject to an audit

*** 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 earnings forecasts, please refer to “(4) Future Outlook” under “1. Overview of Operating Results and Others”

1. Overview of Operating Results and Others

(1) Overview of Operating Results for the Fiscal Year

During the fiscal year under review (from April 1, 2016 to March 31, 2017), many leading manufacturers, which are the major clients of the Company, continued investing in technological development looking to the next generation, unaffected by business conditions. Under this environment, companies redoubled their efforts on recruiting, leading to an increase in the number of engineers. The number of engineers assigned to clients steadily increased as a result of proceeding assignment to clients under a strong order environment.

As a result, consolidated net sales for the fiscal year under review increased ¥2,090 million, or 2.4%, from a year earlier to ¥89,979 million. Consolidated cost of sales rose ¥1,755 million, or 2.7%, from a year earlier to ¥66,417 million, chiefly because of higher labor costs due to an increase in the number of engineers. Consolidated selling, general and administrative expenses rose ¥66 million, or 0.5%, from a year earlier to ¥12,418 million. As a result, consolidated operating profit increased ¥268 million, or 2.5%, from a year earlier to ¥11,142 million, and consolidated ordinary profit rose ¥299 million, or 2.8%, from a year earlier to ¥11,145 million.

Furthermore, profit attributable to owners of parent decreased ¥146 million, or 1.8%, from a year earlier to ¥7,937 million, due to the recording of extraordinary income of approximately ¥1.0 billion in the previous fiscal year, arising from the sale of training facilities and other facility.

Operating results by business segment were as follows.

(1)-1. Temporary Staffing Business

Net sales in the Temporary Staffing Business segment for the fiscal year under review increased ¥2,904 million, or 3.4%, from a year earlier to ¥87,518 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 profit increased ¥319 million, or 3.1%, from a year earlier to ¥10,661 million.

The Company's non-consolidated utilization ratio (overall) maintained a high level of 96.7%, despite a slight decline compared with 97.2% in the previous fiscal year. The main reason was careful selection of work assignments for the 338 newly graduated engineers that joined the Company in April 2016, as well as the strategic rotation of engineers between clients and assignments in order to support career enhancement. Moreover, while the order environment continued to be brisk throughout the year, working hours declined to 8.78 hours/day (8.83 hours/day for the previous fiscal year) because of a decline in overtime hours work, etc.

(1)-2. 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 for the fiscal year under review increased ¥141 million, or 9.5%, from a year earlier to ¥1,641 million, and operating profit increased ¥61 million, or 13.1%, to ¥528 million. Meitec Next achieved sales and profit growth due to a continuing increase in the number of job placements.

Also, as a part of the review of the Group strategy, as of January 2017 Meitec (China, Shanghai) has concluded the provision of placement services for new personnel and on April 1, 2017, All engineer.jp CORPORATION was merged into the Company.

(1)-3. Engineering Solutions Business

Although the Engineering Solutions Business segment provided technology support services for printed-circuit board design, on December 26, 2016, the Company carried out a transfer of all of the shares it held of APOLLO GIKEN CO., LTD., which operated the business.

Net sales in the Engineering Solutions Business for the fiscal year under review declined ¥1,019 million, or 50.9%, from a year earlier to ¥985 million, and operating loss of ¥47 million was posted, compared with an operating profit of ¥69 million a year earlier.

(2) Overview of Financial Position for the Fiscal Year

(2)-1. Assets

Total consolidated assets at the end of the fiscal year (March 31, 2017) increased ¥1,908 million from March 31, 2016 to ¥66,377 million. This reflected an increase of ¥1,637 million in current assets from the previous fiscal year-end. The increase in current assets was mainly due to an increase in cash and deposits.

(2)-2. Liabilities

Total consolidated liabilities as of March 31, 2017 increased ¥1,660 million from March 31, 2016 to ¥28,523 million. This reflected an increase of ¥1,012 million in current liabilities from the previous fiscal year-end. The increase in current liabilities was mainly due to an increase in income taxes payable.

(2)-3. Net Assets

Total consolidated net assets as of March 31, 2017 increased ¥248 million from March 31, 2016 to ¥37,854 million. This mainly reflected an increase in profit attributable to owners of parent due to business performance in the fiscal year under review, offset by the payment of dividends and purchase of treasury shares.

(3) Overview of Cash Flows for the Fiscal Year

Consolidated cash and cash equivalents (hereinafter, “cash”) as of March 31, 2017 increased by ¥1,845 million compared to the previous fiscal year-end to ¥37,259 million.

The situation and factors related to cash flows for the fiscal year under review are as follows:

(3)-1 Cash Flows from Operating Activities

Cash gained from operating activities increased by ¥3,275 million compared to the previous fiscal year to ¥10,186 million.

The cash gained was primarily due to profit before income taxes.

(3)-2 Cash Flows from Investing Activities

Cash used in investing activities was ¥325 million (Cash gained in investing activities was ¥1,487 million in the previous fiscal year).

Major uses of cash included ¥540 million in purchase of intangible assets.

(3)-3 Cash Flows from Financing Activities

Cash used in financing activities increased by ¥258 million compared to the previous fiscal year to ¥8,011 million.

Major uses of cash included ¥3,614 million in purchase of treasury shares and ¥4,343 million in cash dividends paid.

(4) Future Outlook

On the premise that the strong order environment will continue, we expect that the number of engineers will increase due to aggressive recruiting activities. We have announced the consolidated earnings forecast for the fiscal year ending March 31, 2018.

For details of these forecasts, please refer to 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. Basic Concept Regarding the Selection of Accounting Standards

The Company will continue to adopt the Japanese generally accepted accounting standards in the near term, as Meitec Group’s operations are centered on the domestic market. However, going forward, the Company will continue to study the selection of accounting standards, basing its considerations on factors such as investors’ demands as well as trends regarding the adoption of IFRS (International Financial Reporting Standards) by other Japanese companies.

3. Consolidated Financial Statements
(1) Consolidated Balance Sheets

(Thousands of Yen)

	Fiscal year ended March 31, 2016	Fiscal year ended March 31, 2017
Assets		
Current assets		
Cash and deposits	35,413,980	37,259,635
Notes and accounts receivable - trade	13,823,668	13,400,482
Work in process	253,121	175,411
Deferred tax assets	2,442,144	2,553,343
Other	1,172,592	1,353,825
Allowance for doubtful accounts	(659)	—
Total current assets	53,104,848	54,742,698
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	3,932,414	3,842,626
Tools, furniture and fixtures, net	267,406	198,654
Land	1,487,374	1,487,374
Other, net	34,020	24,150
Total property, plant and equipment	5,721,215	5,552,805
Intangible assets		
Software	453,808	363,700
Other	291,065	762,309
Total intangible assets	744,873	1,126,010
Investments and other assets		
Investment securities	70,621	70,583
Net defined benefit asset	14,234	—
Deferred tax assets	4,174,510	4,236,315
Other	664,059	675,103
Allowance for doubtful accounts	(26,116)	(26,297)
Total investments and other assets	4,897,309	4,955,705
Total non-current assets	11,363,398	11,634,521
Total assets	64,468,247	66,377,219
Liabilities		
Current liabilities		
Accounts payable - trade	236,270	—
Accrued expenses	3,009,652	3,032,949
Income taxes payable	1,262,313	2,335,880
Accrued consumption taxes	1,412,475	1,231,268
Provision for directors' bonuses	168,466	206,410
Provision for bonuses	6,446,314	6,608,299
Provision for loss on liquidation of subsidiaries and associates	—	34,078
Other	1,114,810	1,213,624
Total current liabilities	13,650,303	14,662,511
Non-current liabilities		
Net defined benefit liability	13,195,915	13,860,588
Other	16,603	—
Total non-current liabilities	13,212,519	13,860,588
Total liabilities	26,862,822	28,523,099
Net assets		
Shareholders' equity		
Capital stock	16,825,881	5,000,000
Capital surplus	4,491,970	11,955,724
Retained earnings	24,645,186	28,236,076
Treasury shares	(5,989,693)	(5,220,876)
Total shareholders' equity	39,973,345	39,970,924
Accumulated other comprehensive income		
Revaluation reserve for land	(662,440)	(662,440)
Foreign currency translation adjustment	8,833	9,315
Remeasurements of defined benefit plans	(1,776,060)	(1,466,541)
Total accumulated other comprehensive income	(2,429,668)	(2,119,667)
Non-controlling interests		
	61,747	2,863
Total net assets	37,605,424	37,854,120
Total liabilities and net assets	64,468,247	66,377,219

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

(Thousands of Yen)

	Fiscal year ended March 31, 2016	Fiscal year ended March 31, 2017
Net sales	87,888,926	89,979,069
Cost of sales	64,661,865	66,417,317
Gross profit	23,227,060	23,561,751
Selling, general and administrative expenses	12,352,273	12,418,942
Operating profit	10,874,786	11,142,808
Non-operating income		
Interest income	10,486	2,370
Dividend income	75	225
Gain on forfeiture of unclaimed dividends	2,777	4,510
Rent income	4,088	3,990
Interest on refund	119	2,498
Other	11,993	6,855
Total non-operating income	29,540	20,449
Non-operating expenses		
Loss on investments in partnership	10,032	—
Commitment fee	3,444	2,904
Commission fee	5,351	11,317
Taxes and dues	26,135	—
Other	13,894	3,582
Total non-operating expenses	58,858	17,804
Ordinary profit	10,845,468	11,145,453
Extraordinary income		
Gain on sales of non-current assets	1,084,965	4
Gain on sales of shares of subsidiaries and associates	—	28,598
Other	—	2,733
Total extraordinary income	1,084,965	31,337
Extraordinary losses		
Loss on retirement of non-current assets	3,838	9,424
Impairment loss	32,815	2,085
Loss on liquidation of subsidiaries and associates	18,910	—
Provision for loss on liquidation of subsidiaries and associates	—	34,078
Other	9,505	96
Total extraordinary losses	65,069	45,686
Profit before income taxes	11,865,364	11,131,104
Income taxes - current	2,891,197	3,534,830
Income taxes - deferred	877,567	(346,948)
Total income taxes	3,768,764	3,187,882
Profit	8,096,600	7,943,222
Profit attributable to non-controlling interests	12,838	5,726
Profit attributable to owners of parent	8,083,761	7,937,496

(Consolidated Statements of Comprehensive Income)

(Thousands of Yen)

	Fiscal year ended March 31, 2016	Fiscal year ended March 31, 2017
Profit	8,096,600	7,943,222
Other comprehensive income		
Foreign currency translation adjustment	6,016	(4,626)
Remeasurements of defined benefit plans, net of tax	(319,447)	309,519
Total other comprehensive income	(313,431)	304,893
Comprehensive income	7,783,168	8,248,115
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	7,770,295	8,247,497
Comprehensive income attributable to non-controlling interests	12,872	618

(3) Consolidated Statements of Changes in Equity
Fiscal year ended March 31, 2016

(Thousands of Yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of current period	16,825,881	7,275,447	20,488,993	(4,970,365)	39,619,957
Changes of items during period					
Dividends of surplus			(3,937,063)		(3,937,063)
Profit attributable to owners of parent			8,083,761		8,083,761
Reversal of revaluation reserve for land			16,394		16,394
Purchase of treasury shares				(3,802,804)	(3,802,804)
Retirement of treasury shares		(2,783,477)		2,783,477	—
Change of scope of consolidation			(6,899)		(6,899)
Net changes of items other than shareholders' equity					
Total changes of items during period	—	(2,783,477)	4,156,192	(1,019,327)	353,388
Balance at end of current period	16,825,881	4,491,970	24,645,186	(5,989,693)	39,973,345

	Accumulated other comprehensive income				Non-controlling interests	Total net assets
	Revaluation reserve for land	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income		
Balance at beginning of current period	(646,046)	(579)	(1,456,612)	(2,103,238)	48,938	37,565,657
Changes of items during period						
Dividends of surplus						(3,937,063)
Profit attributable to owners of parent						8,083,761
Reversal of revaluation reserve for land						16,394
Purchase of treasury shares						(3,802,804)
Retirement of treasury shares						—
Change of scope of consolidation						(6,899)
Net changes of items other than shareholders' equity	(16,394)	9,412	(319,447)	(326,429)	12,808	(313,621)
Total changes of items during period	(16,394)	9,412	(319,447)	(326,429)	12,808	39,766
Balance at end of current period	(662,440)	8,833	(1,776,060)	(2,429,668)	61,747	37,605,424

Fiscal year ended March 31, 2017

(Thousands of Yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of current period	16,825,881	4,491,970	24,645,186	(5,989,693)	39,973,345
Changes of items during period					
Dividends of surplus			(4,346,606)		(4,346,606)
Profit attributable to owners of parent			7,937,496		7,937,496
Transfer to other capital surplus from capital stock	(11,825,881)	11,825,881			—
Purchase of treasury shares				(3,602,812)	(3,602,812)
Retirement of treasury shares		(4,371,630)		4,371,630	—
Change in ownership interest of parent due to transactions with non-controlling interests		9,501			9,501
Net changes of items other than shareholders' equity					
Total changes of items during period	(11,825,881)	7,463,753	3,590,889	768,817	(2,421)
Balance at end of current period	5,000,000	11,955,724	28,236,076	(5,220,876)	39,970,924

	Accumulated other comprehensive income				Non-controlling interests	Total net assets
	Revaluation reserve for land	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income		
Balance at beginning of current period	(662,440)	8,833	(1,776,060)	(2,429,668)	61,747	37,605,424
Changes of items during period						
Dividends of surplus						(4,346,606)
Profit attributable to owners of parent						7,937,496
Transfer to other capital surplus from capital stock						—
Purchase of treasury shares						(3,602,812)
Retirement of treasury shares						—
Change in ownership interest of parent due to transactions with non-controlling interests						9,501
Net changes of items other than shareholders' equity	—	481	309,519	310,000	(58,883)	251,117
Total changes of items during period	—	481	309,519	310,000	(58,883)	248,695
Balance at end of current period	(662,440)	9,315	(1,466,541)	(2,119,667)	2,863	37,854,120

(4) Consolidated Statements of Cash Flows

	(Thousands of Yen)	
	Fiscal year ended March 31, 2016	Fiscal year ended March 31, 2017
Cash flows from operating activities		
Profit before income taxes	11,865,364	11,131,104
Depreciation	454,521	461,465
Impairment loss	32,815	2,085
Increase (decrease) in allowance for doubtful accounts	(3,050)	(477)
Increase (decrease) in provision for directors' bonuses	87,957	37,944
Increase (decrease) in provision for bonuses	485,792	175,161
Increase (decrease) in provision for loss on liquidation of subsidiaries and associates	(5,859)	34,078
Increase (decrease) in net defined benefit liability	1,053,351	1,140,295
Decrease (increase) in net defined benefit asset	(285)	1,353
Interest and dividend income	(10,561)	(2,595)
Loss (gain) on sales of shares of subsidiaries and associates	—	(28,598)
Loss (gain) on sales of non-current assets	(1,075,459)	92
Loss on retirement of non-current assets	3,838	9,424
Decrease (increase) in notes and accounts receivable - trade	(965,613)	72,151
Decrease (increase) in inventories	39,702	(6,422)
Decrease (increase) in other current assets	7,841	(205,823)
Increase (decrease) in notes and accounts payable - trade	91,085	(159,303)
Increase (decrease) in accrued expenses	149,841	59,364
Increase (decrease) in accrued consumption taxes	(1,670,766)	(178,622)
Increase (decrease) in other current liabilities	106,471	78,266
Other, net	102,653	(19,010)
Subtotal	<u>10,749,639</u>	<u>12,601,936</u>
Interest and dividend income received	10,120	3,025
Income taxes paid	(3,898,632)	(3,220,435)
Income taxes refund	49,846	802,368
Net cash provided by (used in) operating activities	<u>6,910,973</u>	<u>10,186,894</u>
Cash flows from investing activities		
Purchase of property, plant and equipment	(186,720)	(122,156)
Proceeds from sales of property, plant and equipment	2,093,944	10
Purchase of intangible assets	(224,442)	(540,755)
Payments for retirement of non-current assets	(108,024)	(2,457)
Decrease (increase) in other investments	(86,946)	(48,729)
Proceeds from sales of shares of subsidiaries resulting in change in scope of consolidation	—	385,962
Other, net	—	2,717
Net cash provided by (used in) investing activities	<u>1,487,809</u>	<u>(325,408)</u>
Cash flows from financing activities		
Purchase of treasury shares	(3,808,116)	(3,614,094)
Cash dividends paid	(3,932,533)	(4,343,210)
Other, net	(12,191)	(54,207)
Net cash provided by (used in) financing activities	<u>(7,752,841)</u>	<u>(8,011,512)</u>
Effect of exchange rate change on cash and cash equivalents	(2,138)	(4,318)
Net increase (decrease) in cash and cash equivalents	<u>643,802</u>	<u>1,845,654</u>
Cash and cash equivalents at beginning of period	34,773,112	35,413,980
Increase (decrease) in cash and cash equivalents resulting from change of scope of consolidation	(2,934)	—
Cash and cash equivalents at end of period	<u>35,413,980</u>	<u>37,259,635</u>