



Consolidated Financial Report For the Six Months Ended September 30, 2017

November 7, 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 2nd Quarter (April 1, 2017 to September 30, 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	%
Six months ended September 30, 2017	45,867	4.0	5,442	7.3	5,447	7.3	3,526	1.7
Six months ended September 30, 2016	44,111	4.7	5,071	6.9	5,074	7.4	3,466	(8.7)

(Note) Comprehensive Income; Six months ended September 30, 2017: 3,661 million yen [1.8%]
Six months ended September 30, 2016: 3,597 million yen [(8.0)%]

	Earnings per Share	Diluted Net Income per Share
	Yen	Yen
Six months ended September, 2017	123.96	—
Six months ended September, 2016	118.83	—

(2) Consolidated financial position

	Total Assets	Net Assets	Equity Ratio
	Millions of Yen	Millions of Yen	%
As of September 30, 2017	67,389	39,136	58.1
As of March 31, 2017	66,377	37,854	57.0

Reference: Shareholders' Equity; as of September 30, 2017: 39,133 million yen
as of March 31, 2017: 37,851 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, 2017	—	68.00	—	83.50	151.50
FY ending March 31, 2018	—	74.50	—	—	—
FY ending March 31, 2018 (Forecast)	—	—	—	82.00	156.50

(Note) Revision of dividends forecast from recent forecast: Yes

Regarding the revision of the dividends, please see "Notice Regarding Dividend of Retained Earnings (Interim Dividend) and Revision of the Year-end Dividend Forecast" which was announced today, November 7, 2017.

3. Consolidated Forecasts for 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		Earnings per Share
	Millions of Yen	%	Millions of Yen	%	Millions of Yen	%	Millions of Yen	%	Yen
FY ending March 31, 2018	93,000	3.4	10,900	(2.2)	10,900	(2.2)	7,400	(6.8)	260.14

(Note) Revision of performance forecast from recent forecast: Yes

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 : | None |
| 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) | |
| 2nd Quarter ended September 30, 2017: | 30,000,000 |
| FY ended March 31, 2017: | 30,000,000 |
| ii. Number of treasury shares at the fiscal year end | |
| 2nd Quarter ended September 30, 2017: | 1,553,243 |
| FY ended March 31, 2017: | 1,552,542 |
| iii. Average number of shares outstanding during the period | |
| 2nd Quarter ended September 30, 2017: | 28,447,216 |
| 2nd Quarter ended September 30, 2016: | 29,172,003 |

*** Quarterly financial results report is not subject to quarterly review***** 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. 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.

1. Qualitative Information on the Consolidated Results for the 2nd Quarter

Qualitative Information on the Consolidated Operating Results

During the six months from April 1, 2017 to September 30, 2017, 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. Amid a firm order environment, the number of engineers assigned to clients steadily increased. This was mainly due to assignment of 521 newly graduated engineers who joined us in April 2017 (MT: 308, MF: 213) to clients proceeding steadily.

As a result, although sales were negatively impacted by about ¥800 million in the six months under review due to the sale of the subsidiary APOLLO GIKEN CO., LTD. conducted in the previous fiscal year, consolidated net sales for the period under review increased ¥1,756 million, or 4.0%, from a year earlier to ¥45,867 million. Consolidated cost of sales rose ¥1,187 million, or 3.6%, from a year earlier to ¥34,049 million, chiefly because of higher labor costs due to an increase in the number of engineers. Consolidated selling, general and administrative expenses rose ¥196 million, or 3.2%, from a year earlier to ¥6,375 million. As a result, consolidated operating profit increased ¥371 million, or 7.3%, from a year earlier to ¥5,442 million, and consolidated ordinary profit rose ¥372 million, or 7.3%, from a year earlier to ¥5,447 million.

Profit attributable to owners of parent increased ¥59 million, or 1.7%, from a year earlier to ¥3,526 million.

For details, please refer to the summary of second quarter of the Fiscal Year ended March 31, 2018 on the Company's website.

2. Consolidated Financial Statements
(1) Consolidated Balance Sheets

(Thousands of Yen)

	Fiscal year ended March 31, 2017	The 2nd Quarter ended Sep. 30, 2017
Assets		
Current assets		
Cash and deposits	37,259,635	38,425,606
Notes and accounts receivable - trade	13,400,482	13,354,113
Work in process	175,411	362,111
Other	3,907,168	3,504,117
Total current assets	54,742,698	55,645,948
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	3,842,626	3,761,220
Other, net	1,710,179	1,737,052
Total property, plant and equipment	5,552,805	5,498,272
Intangible assets		
Other	1,126,010	1,063,077
Total intangible assets	1,126,010	1,063,077
Investments and other assets		
Other	4,982,003	5,197,511
Allowance for doubtful accounts	(26,297)	(15,722)
Total investments and other assets	4,955,705	5,181,789
Total non-current assets	11,634,521	11,743,140
Total assets	66,377,219	67,389,089
Liabilities		
Current liabilities		
Income taxes payable	2,335,880	1,851,181
Provision for directors' bonuses	206,410	93,017
Provision for bonuses	6,608,299	6,731,493
Provision for loss on liquidation of subsidiaries and associates	34,078	5,099
Other	5,477,841	5,438,376
Total current liabilities	14,662,511	14,119,168
Non-current liabilities		
Net defined benefit liability	13,860,588	14,133,084
Total non-current liabilities	13,860,588	14,133,084
Total liabilities	28,523,099	28,252,253
Net assets		
Shareholders' equity		
Capital stock	5,000,000	5,000,000
Capital surplus	11,955,724	11,955,724
Retained earnings	28,236,076	29,387,118
Treasury shares	(5,220,876)	(5,224,363)
Total shareholders' equity	39,970,924	41,118,479
Accumulated other comprehensive income		
Revaluation reserve for land	(662,440)	(662,440)
Foreign currency translation adjustment	9,315	8,803
Remeasurements of defined benefit plans	(1,466,541)	(1,330,865)
Total accumulated other comprehensive income	(2,119,667)	(1,984,502)
Non-controlling interests	2,863	2,859
Total net assets	37,854,120	39,136,835
Total liabilities and net assets	66,377,219	67,389,089

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

(Thousands of Yen)

	The 2nd Quarter ended Sep. 30, 2016	The 2nd Quarter ended Sep. 30, 2017
Net sales	44,111,000	45,867,071
Cost of sales	32,861,520	34,049,141
Gross profit	11,249,479	11,817,929
Selling, general and administrative expenses	6,178,229	6,375,038
Operating profit	5,071,250	5,442,891
Non-operating income		
Interest income	1,328	908
Gain on forfeiture of unclaimed dividends	2,981	1,517
Rent income	1,993	1,992
Gain on sales of non-current assets	363	1,983
Other	4,526	3,185
Total non-operating income	11,193	9,587
Non-operating expenses		
Commitment fee	1,514	1,373
Commission fee	4,866	—
Provision of allowance for doubtful accounts	—	3,236
Other	1,593	769
Total non-operating expenses	7,973	5,380
Ordinary profit	5,074,470	5,447,098
Extraordinary income		
Gain on liquidation of subsidiaries	2,733	—
Total extraordinary income	2,733	—
Extraordinary losses		
Loss on retirement of non-current assets	3,466	4,445
Loss on valuation of investment securities	—	10,059
Head office transfer cost	—	46,147
Other	92	2
Total extraordinary losses	3,558	60,655
Profit before income taxes	5,073,645	5,386,442
Income taxes	1,609,252	1,860,037
Profit	3,464,392	3,526,404
Loss attributable to non-controlling interests	(2,245)	—
Profit attributable to owners of parent	3,466,637	3,526,404

(Consolidated Statements of Comprehensive Income)

(Thousands of Yen)

	The 2nd Quarter ended Sep. 30, 2016	The 2nd Quarter ended Sep. 30, 2017
Profit	3,464,392	3,526,404
Other comprehensive income		
Foreign currency translation adjustment	(6,729)	(515)
Remeasurements of defined benefit plans, net of tax	139,808	135,675
Total other comprehensive income	133,078	135,160
Comprehensive income	3,597,470	3,661,565
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	3,599,716	3,661,569
Comprehensive income attributable to non-controlling interests	(2,245)	(4)

(3) Notes to Quaterly Financial Statements

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

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

(3)-3 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 second quarter ended September 30, 2017.