



Consolidated Financial Report For the Nine Months Ended December 31, 2017

February 1, 2018

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, 2017 to December 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	%
Nine months ended December 31, 2017	70,087	4.9	9,214	13.1	9,219	13.0	6,257	11.8
Nine months ended December 31, 2016	66,817	3.8	8,150	5.1	8,155	5.5	5,596	(4.2)

(Note) Comprehensive Income; Nine months ended December 31, 2017: 6,460 million yen [11.5%]
Nine months ended December 31, 2016: 5,796 million yen [(3.6)%]

	Earnings per Share	Diluted Net Income per Share
	Yen	Yen
Nine months ended December 31, 2017	220.14	—
Nine months ended December 31, 2016	192.52	—

(2) Consolidated financial position

	Total Assets	Net Assets	Equity Ratio
	Millions of Yen	Millions of Yen	%
As of December 31, 2017	64,920	38,644	59.5
As of March 31, 2017	66,377	37,854	57.0

Reference: Shareholders' Equity; as of December 31, 2017: 38,641 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: None

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: 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 : | 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) | |
| 3rd Quarter ended December 31, 2017: | 30,000,000 |
| FY ended March 31, 2017: | 30,000,000 |
| ii. Number of treasury shares at the fiscal year end | |
| 3rd Quarter ended December 31, 2017: | 1,755,190 |
| FY ended March 31, 2017: | 1,552,542 |
| iii. Average number of shares outstanding during the period | |
| 3rd Quarter ended December 31, 2017: | 28,425,260 |
| 3rd Quarter ended December 31, 2016: | 29,069,020 |

*** 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 3rd Quarter

Qualitative Information on the Consolidated Operating Results

During the nine months from April 1, 2017 to December 31, 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.

As a result, although sales were negatively impacted by about ¥1,000 million in the nine 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 ¥3,269 million, or 4.9%, from a year earlier to ¥70,087 million. Consolidated cost of sales rose ¥1,878 million, or 3.8%, from a year earlier to ¥51,359 million, chiefly because of higher labor costs due to an increase in the number of engineers. Consolidated selling, general and administrative expenses rose ¥327 million, or 3.6%, from a year earlier to ¥9,513 million. As a result, consolidated operating profit increased ¥1,064 million, or 13.1%, from a year earlier to ¥9,214 million, and consolidated ordinary profit rose ¥1,063 million, or 13.0%, from a year earlier to ¥9,219 million.

Profit attributable to owners of parent increased ¥661 million, or 11.8%, from a year earlier to ¥6,257 million.

For details, please refer to the summary of third 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 3rd Quarter ended Dec. 31, 2017
Assets		
Current assets		
Cash and deposits	37,259,635	35,938,137
Notes and accounts receivable - trade	13,400,482	13,027,135
Work in process	175,411	395,661
Other	3,907,168	4,154,987
Total current assets	54,742,698	53,515,922
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	3,842,626	3,733,800
Other, net	1,710,179	1,736,218
Total property, plant and equipment	5,552,805	5,470,019
Intangible assets		
Other	1,126,010	1,007,112
Total intangible assets	1,126,010	1,007,112
Investments and other assets		
Other	4,982,003	4,942,247
Allowance for doubtful accounts	(26,297)	(15,291)
Total investments and other assets	4,955,705	4,926,956
Total non-current assets	11,634,521	11,404,089
Total assets	66,377,219	64,920,011
Liabilities		
Current liabilities		
Income taxes payable	2,335,880	1,189,040
Provision for directors' bonuses	206,410	157,711
Provision for bonuses	6,608,299	3,510,843
Provision for loss on liquidation of subsidiaries and associates	34,078	4,991
Other	5,477,841	7,157,741
Total current liabilities	14,662,511	12,020,327
Non-current liabilities		
Net defined benefit liability	13,860,588	14,255,193
Total non-current liabilities	13,860,588	14,255,193
Total liabilities	28,523,099	26,275,521
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	29,998,895
Treasury shares	(5,220,876)	(6,396,482)
Total shareholders' equity	39,970,924	40,558,137
Accumulated other comprehensive income		
Revaluation reserve for land	(662,440)	(662,440)
Foreign currency translation adjustment	9,315	8,949
Remeasurements of defined benefit plans	(1,466,541)	(1,263,027)
Total accumulated other comprehensive income	(2,119,667)	(1,916,519)
Non-controlling interests	2,863	2,871
Total net assets	37,854,120	38,644,490
Total liabilities and net assets	66,377,219	64,920,011

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

(Thousands of Yen)

	The 3rd Quarter ended Dec. 31, 2016	The 3rd Quarter ended Dec. 31, 2017
Net sales	66,817,508	70,087,474
Cost of sales	49,481,657	51,359,857
Gross profit	17,335,851	18,727,617
Selling, general and administrative expenses	9,185,519	9,513,259
Operating profit	8,150,332	9,214,357
Non-operating income		
Interest income	1,860	1,294
Dividend income	225	225
Gain on forfeiture of unclaimed dividends	4,510	3,166
Rent income	2,993	2,988
Other	7,087	5,975
Total non-operating income	16,677	13,649
Non-operating expenses		
Commitment fee	2,228	1,984
Commission fee	7,278	570
Provision of allowance for doubtful accounts	—	2,918
Bad debts expenses	—	1,848
Other	1,617	1,477
Total non-operating expenses	11,124	8,798
Ordinary profit	8,155,884	9,219,208
Extraordinary income		
Gain on sales of non-current assets	4	—
Gain on sales of shares of subsidiaries and associates	28,598	—
Compensation for transfer	—	300,000
Other	2,733	37,472
Total extraordinary income	31,337	337,472
Extraordinary losses		
Loss on retirement of non-current assets	3,824	4,614
Impairment loss	1,067	—
Head office transfer cost	—	244,811
Other	96	10,062
Total extraordinary losses	4,989	259,487
Profit before income taxes	8,182,233	9,297,192
Income taxes	2,588,108	3,039,726
Profit	5,594,124	6,257,466
Loss attributable to non-controlling interests	(2,245)	—
Profit attributable to owners of parent	5,596,370	6,257,466

(Consolidated Statements of Comprehensive Income)

(Thousands of Yen)

	The 3rd Quarter ended Dec. 31, 2016	The 3rd Quarter ended Dec. 31, 2017
Profit	5,594,124	6,257,466
Other comprehensive income		
Foreign currency translation adjustment	(7,295)	(357)
Remeasurements of defined benefit plans, net of tax	209,712	203,513
Total other comprehensive income	202,417	203,156
Comprehensive income	5,796,542	6,460,622
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	5,798,787	6,460,614
Comprehensive income attributable to non-controlling interests	(2,245)	8

(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 third quarter ended December 31, 2017.