

Consolidated Financial Report For the Nine Months Ended December 31, 2018

January 31, 2019

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, 2018 to December 31, 2018)

(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, 2018	73,339	4.6	10,289	11.7	10,296	11.7	7,022	12.2
Nine months ended December 31, 2017	70,087	4.9	9,214	13.1	9,219	13.0	6,257	11.8

(Note) Comprehensive Income; Nine months ended December 31, 2018: 7,210 million yen [11.6%]
 Nine months ended December 31, 2017: 6,460 million yen [11.5%]

	Earnings per Share	Diluted Net Income per Share
	Yen	Yen
Nine months ended December 31, 2018	250.63	—
Nine months ended December 31, 2017	220.14	—

(2) Consolidated financial position

	Total Assets	Net Assets	Equity Ratio
	Millions of Yen	Millions of Yen	%
As of December 31, 2018	68,151	40,615	59.6
As of March 31, 2018	70,934	40,139	56.6

Reference: Shareholders' Equity; as of December 31, 2018: 40,613 million yen
 as of March 31, 2018: 40,136 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, 2018	—	74.50	—	102.50	177.00
FY ending March 31, 2019	—	84.00	—		
FY ending March 31, 2019 (Forecast)				94.50	178.50

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

3. Consolidated Forecasts for Fiscal Year ending March 31, 2019

(% 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, 2019	97,000	3.6	12,000	4.7	12,000	4.7	8,100	(0.4)	290.27

(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, 2018: | 30,000,000 |
| FY ended March 31, 2018: | 30,000,000 |
| ii. Number of treasury shares at the fiscal year end | |
| 3rd Quarter ended December 31, 2018: | 2,095,070 |
| FY ended March 31, 2018: | 1,814,423 |
| iii. Average number of shares outstanding during the period | |
| 3rd Quarter ended December 31, 2018: | 28,020,394 |
| 3rd Quarter ended December 31 2017: | 28,425,260 |

*** Financial report is not included in the scope of the audit or the certified public accountant.**

*** 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.

*** Change in amounts shown**

The amounts of figures shown for accounting items and other items presented in the Group's quarterly consolidated financial statements have until now been shown in units of one thousand yen. As of the first quarter and cumulative first quarter of the current fiscal year, however, these amounts have been changed to units of one million yen. To facilitate comparison, amounts for the previous fiscal year and cumulative third quarter of the previous fiscal year are also shown in units of million yen.

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, 2018 to December 31, 2018, 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, consolidated net sales for the period under review increased ¥3,252 million, or 4.6%, from a year earlier to ¥73,339 million. Consolidated cost of sales rose ¥1,895 million, or 3.7%, from a year earlier to ¥53,255 million, chiefly because of higher labor costs due to an increase in the number of engineers. Consolidated selling, general and administrative expenses rose ¥281 million, or 3.0%, from a year earlier to ¥9,794 million. As a result, consolidated operating profit increased ¥1,075 million, or 11.7%, from a year earlier to ¥10,289 million, and consolidated ordinary profit rose ¥1,076 million, or 11.7%, from a year earlier to ¥10,296 million.

Profit attributable to owners of parent increased ¥765 million, or 12.2%, from a year earlier to ¥7,022 million.

For details, please refer to the summary of third quarter of the Fiscal Year ended March 31, 2019 on the Company's website.

2. Consolidated Financial Statements
(1) Consolidated Balance Sheets

(Millions of yen)

	Fiscal year ended March 31, 2018	The 3rd Quarter ended Dec. 31, 2018
Assets		
Current assets		
Cash and deposits	41,753	39,700
Notes and accounts receivable - trade	13,816	13,192
Work in process	180	368
Other	723	749
Total current assets	56,473	54,010
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	3,690	3,598
Other, net	1,708	1,730
Total property, plant and equipment	5,399	5,328
Intangible assets		
Other	929	762
Total intangible assets	929	762
Investments and other assets		
Deferred tax assets	7,331	7,248
Other	815	815
Allowance for doubtful accounts	(14)	(14)
Total investments and other assets	8,131	8,049
Total non-current assets	14,460	14,140
Total assets	70,934	68,151
Liabilities		
Current liabilities		
Income taxes payable	2,255	1,252
Provision for directors' bonuses	215	176
Provision for bonuses	7,456	3,721
Provision for loss on liquidation of subsidiaries and associates	4	4
Other	6,244	7,395
Total current liabilities	16,176	12,552
Non-current liabilities		
Net defined benefit liability	14,617	14,983
Total non-current liabilities	14,617	14,983
Total liabilities	30,794	27,535
Net assets		
Shareholders' equity		
Capital stock	5,000	5,000
Capital surplus	11,955	11,955
Retained earnings	31,873	33,663
Treasury shares	(6,750)	(8,251)
Total shareholders' equity	42,078	42,367
Accumulated other comprehensive income		
Revaluation reserve for land	(662)	(662)
Foreign currency translation adjustment	9	9
Remeasurements of defined benefit plans	(1,288)	(1,100)
Total accumulated other comprehensive income	(1,942)	(1,753)
Non-controlling interests	2	2
Total net assets	40,139	40,615
Total liabilities and net assets	70,934	68,151

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

(Millions of yen)

	The 3rd Quarter ended Dec. 31, 2017	The 3rd Quarter ended Dec. 31, 2018
Net sales	70,087	73,339
Cost of sales	51,359	53,255
Gross profit	18,727	20,084
Selling, general and administrative expenses	9,513	9,794
Operating profit	9,214	10,289
Non-operating income		
Interest income	1	1
Dividend income	0	—
Gain on forfeiture of unclaimed dividends	3	3
Rent income	2	2
Other	5	4
Total non-operating income	13	12
Non-operating expenses		
Commitment fee	1	1
Commission fee	0	3
Provision of allowance for doubtful accounts	2	—
Other	3	1
Total non-operating expenses	8	5
Ordinary profit	9,219	10,296
Extraordinary income		
Gain on sales of investment securities	0	11
Compensation for transfer	300	—
Other	37	0
Total extraordinary income	337	11
Extraordinary losses		
Impairment loss	—	11
Head office transfer cost	244	—
Other	14	1
Total extraordinary losses	259	12
Profit before income taxes	9,297	10,294
Income taxes	3,039	3,272
Profit	6,257	7,022
Profit attributable to owners of parent	6,257	7,022

(Consolidated Statements of Comprehensive Income)

(Millions of yen)

	The 3rd Quarter ended Dec. 31, 2017	The 3rd Quarter ended Dec. 31, 2018
Profit	6,257	7,022
Other comprehensive income		
Foreign currency translation adjustment	(0)	(0)
Remeasurements of defined benefit plans, net of tax	203	188
Total other comprehensive income	203	188
Comprehensive income	6,460	7,210
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	6,460	7,210
Comprehensive income attributable to non-controlling interests	0	(0)

(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, 2018.