



Consolidated Financial Report For the Six Months Ended September 30, 2019

November 7, 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 2nd Quarter (April 1, 2019 to September 30, 2019)

(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, 2019	49,577	4.1	6,003	3.0	6,020	3.3	3,970	2.2
Six months ended September 30, 2018	47,621	3.8	5,827	7.1	5,830	7.0	3,885	10.2

(Note) Comprehensive Income; Six months ended September 30, 2019: 4,100 million yen [2.2%]
Six months ended September 30, 2018: 4,011 million yen [9.5%]

	Earnings per Share	Diluted Net Income per Share
	Yen	Yen
Six months ended September, 2019	142.91	—
Six months ended September, 2018	138.39	—

(2) Consolidated financial position

	Total Assets	Net Assets	Equity Ratio
	Millions of Yen	Millions of Yen	%
As of September 30, 2019	71,556	41,547	58.1
As of March 31, 2019	74,615	42,371	56.8

Reference: Shareholders' Equity; as of September 30, 2019: 41,547 million yen
as of March 31, 2019: 42,371 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, 2019	—	84.00	—	115.50	199.50
FY ending March 31, 2020	—	86.50			
FY ending March 31, 2020 (Forecast)			—	107.00	193.50

(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, 2019.

3. Consolidated Forecasts for Fiscal Year ending March 31, 2020

(% 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, 2020	101,800	4.2	12,900	2.1	12,900	2.0	8,800	(0.3)	318.83

(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, 2019: 29,300,000
 - FY ended March 31, 2019: 29,300,000
 - ii. Number of treasury shares at the fiscal year end
 - 2nd Quarter ended September 30, 2019: 1,698,870
 - FY ended March 31, 2019: 1,395,169
 - iii. Average number of shares outstanding during the period
 - 2nd Quarter ended September 30, 2019: 27,785,957
 - 2nd Quarter ended September 30, 2018: 28,078,385

*** 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.

(Note) This document has been translated from the Japanese original for reference purposes only. In the event of any discrepancy between this translation and the Japanese original, the original shall prevail.

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, 2019 to September 30, 2019, 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 such a firm order environment, the number of engineers assigned to clients steadily increased due to an increase in the number of engineers including 616 newly graduated engineers joining us in April (MT: 418, MF: 198).

As a result, consolidated net sales for the period under review increased ¥1,955 million, or 4.1%, from a year earlier to ¥49,577 million. Consolidated cost of sales rose ¥1,172 million, or 3.3%, from a year earlier to ¥36,461 million, chiefly because of higher labor costs due to an increase in the number of engineers, and consolidated selling, general and administrative expenses rose ¥607 million, or 9.3%, from a year earlier to ¥7,113 million due to higher system costs. Consolidated operating profit increased ¥175 million, or 3.0%, from a year earlier to ¥6,003 million, and consolidated ordinary profit increased ¥190 million, or 3.3%, from a year earlier to ¥6,020 million.

Profit attributable to owners of parent increased ¥85 million or 2.2%, from a year earlier to ¥3,970 million.

For details, please refer to the summary of the second quarter of the Fiscal Year ending March 31, 2020 on the Company's website.

2. Consolidated Financial Statements
(1) Consolidated Balance Sheets

(Millions of Yen)

	Fiscal year ended March 31, 2019	The 2nd Quarter ended Sep. 30, 2019
Assets		
Current assets		
Cash and deposits	45,052	42,131
Notes and accounts receivable - trade	13,884	13,709
Work in process	170	247
Other	931	1,062
Allowance for doubtful accounts	(2)	(2)
Total current assets	60,036	57,148
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	3,601	3,527
Other, net	1,801	1,836
Total property, plant and equipment	5,402	5,364
Intangible assets		
Other	742	659
Total intangible assets	742	659
Investments and other assets		
Deferred tax assets	7,640	7,584
Other	806	813
Allowance for doubtful accounts	(14)	(13)
Total investments and other assets	8,433	8,383
Total non-current assets	14,579	14,408
Total assets	74,615	71,556
Liabilities		
Current liabilities		
Income taxes payable	2,272	2,024
Provision for bonuses for directors (and other officers)	233	104
Provision for bonuses	7,697	7,298
Other	6,723	5,041
Total current liabilities	16,927	14,468
Non-current liabilities		
Retirement benefit liability	15,317	15,540
Total non-current liabilities	15,317	15,540
Total liabilities	32,244	30,009
Net assets		
Shareholders' equity		
Share capital	5,000	5,000
Capital surplus	9,198	9,198
Retained earnings	35,469	36,217
Treasury shares	(5,495)	(7,196)
Total shareholders' equity	44,173	43,219
Accumulated other comprehensive income		
Revaluation reserve for land	(662)	(662)
Remeasurements of defined benefit plans	(1,139)	(1,010)
Total accumulated other comprehensive income	(1,802)	(1,672)
Total net assets	42,371	41,547
Total liabilities and net assets	74,615	71,556

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

(Millions of Yen)

	The 2nd Quarter ended Sep. 30, 2018	The 2nd Quarter ended Sep. 30, 2019
Net sales	47,621	49,577
Cost of sales	35,288	36,461
Gross profit	12,332	13,116
Selling, general and administrative expenses	6,505	7,113
Operating profit	5,827	6,003
Non-operating income		
Interest income	0	0
Subsidy income	—	10
Gain on sales of non-current assets	—	5
Other	6	5
Total non-operating income	7	22
Non-operating expenses		
Commitment fee	1	1
Commission expenses	3	2
Other	0	1
Total non-operating expenses	5	4
Ordinary profit	5,830	6,020
Extraordinary income		
Gain on sales of investment securities	11	—
Total extraordinary income	11	—
Extraordinary losses		
Loss on retirement of non-current assets	1	2
Total extraordinary losses	1	2
Profit before income taxes	5,840	6,018
Income taxes	1,954	2,047
Profit	3,885	3,970
Profit attributable to owners of parent	3,885	3,970

(Consolidated Statements of Comprehensive Income)

(Millions of Yen)

	The 2nd Quarter ended Sep. 30, 2018	The 2nd Quarter ended Sep. 30, 2019
Profit	3,885	3,970
Other comprehensive income		
Foreign currency translation adjustment	(0)	—
Remeasurements of defined benefit plans, net of tax	125	129
Total other comprehensive income	125	129
Comprehensive income	4,011	4,100
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	4,011	4,100
Comprehensive income attributable to non-controlling interests	(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 second quarter ended September 30, 2019.