



Consolidated Financial Report For the Fiscal Year Ended March 31, 2020

May 12, 2020

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, 2020 (April 1, 2019 to March 31, 2020)

(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, 2020	100,995	3.3	12,926	2.3	12,975	2.6	9,093	3.0
FY ended March 31, 2019	97,736	4.4	12,635	10.3	12,643	10.3	8,829	8.6

(Note) Comprehensive Income; FY ended March 31, 2020: 9,271 million yen [3.3 %]
FY ended March 31, 2019: 8,974 million yen [8.0 %]

	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, 2020	328.36	—	21.0	17.1	12.8
FY ended March 31, 2019	315.43	—	21.4	17.4	12.9

(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, 2020	77,493	44,327	57.2	1,606.03
As of March 31, 2019	74,615	42,371	56.8	1,518.42

Reference: Shareholders' Equity; as of March 31, 2020: 44,327 million yen
as of March 31, 2019: 42,371 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, 2020	9,837	(536)	(7,319)	47,033
FY ended March 31, 2019	10,273	(240)	(6,734)	45,052

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, 2019	—	84.00	—	115.50	199.50	5,567	63.3	13.6
FY ended March 31, 2020	—	86.50	—	115.50	202.00	5,575	61.5	12.9
FY ending March 31, 2021(Forecast)	—	65.50	—	—	—	—	—	—

(Note) As for the dividends forecasts for the fiscal year ending March 31, 2021, only the interim dividend forecast is disclosed based on the consolidated forecast for the six months ending September 30, 2020, that can be reasonably estimated at this point. The year-end dividend forecast has not been decided.

3. Consolidated Forecasts for the Fiscal Year Ending March 31, 2021

(% 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
Six months ending September 30, 2020	49,600	0.0	4,600	(23.4)	4,600	(23.6)	3,000	(24.5)	108.69

(Note) As for the consolidated forecasts for the fiscal year ending March 31, 2021, only the forecast for the six months ending September 30, 2020 is disclosed, as this is the period that can be reasonably estimated at this point. For more details, please refer to (4) Future Outlook of 1. Overview of Operating Results and Others on page 3.

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 : | None |
| 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, 2020: | 29,000,000 |
| FY ended March 31, 2019: | 29,300,000 |
| ii. Number of treasury shares at the fiscal year end | |
| FY ended March 31, 2020: | 1,399,519 |
| FY ended March 31, 2019: | 1,395,169 |
| iii. Average number of shares outstanding during the period | |
| FY ended March 31, 2020: | 27,693,373 |
| FY ended March 31, 2019: | 27,991,911 |

*** 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.

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, 2019 to March 31, 2020), 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. Although there were a decrease in the number of working dates partly due to special holidays occurring only in the fiscal year under review and a decline in the number of working hours due to the reduced overtime hours work, the number of engineers assigned to clients steadily increased under a strong order environment, as efforts on recruiting led to an increase in the number of engineers.

As a result, consolidated net sales for the fiscal year under review increased ¥3,259 million, or 3.3%, from a year earlier to ¥100,995 million. Consolidated cost of sales rose ¥2,122 million, or 3.0%, from a year earlier to ¥73,823 million, chiefly because of higher labor costs due to an increase in the number of engineers. Consolidated selling, general and administrative expenses rose ¥845 million, or 6.3%, from a year earlier to ¥14,245 million mainly due to temporary higher system costs. Consequently, consolidated operating profit increased ¥290 million, or 2.3%, from a year earlier to ¥12,926 million, and consolidated ordinary profit rose ¥331 million, or 2.6%, from a year earlier to ¥12,975 million. Profit attributable to owners of parent increased ¥264 million, or 3.0%, from a year earlier to ¥9,093 million.

For details, please refer to the IR presentation materials of the Fiscal Year ended March 31, 2020 on the Company's website.

Operating results by business segment were as follows.

(1)-1. Engineering Solutions Business

Net sales in the Engineering Solutions Business segment for the fiscal year under review increased ¥3,355 million, or 3.5%, from a year earlier to ¥99,461 million. The main reason for the increase was an increase in the number of engineers assigned to clients in the Engineering Solutions 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, although there were by a decrease in the number of working dates and a decline in the number of working hours. Operating profit increased ¥416 million, or 3.5%, from a year earlier to ¥12,492 million mainly due to temporary higher system costs.

The Company's non-consolidated utilization ratio (overall) decreased to 96.4% from 97.5% for the previous fiscal year. Working hours declined compared with the previous fiscal year to 8.54 hours/day (8.62 hours/day for the previous fiscal year) after overtime hours work decreased primarily due to the work-life balance initiatives being carried out by major corporations.

(1)-2. Recruiting & Placement Business for Engineers

MEITEC NEXT CORPORATION operates job placement business for engineers. Net sales for the fiscal year under review decreased ¥123 million, or 7.0%, from a year earlier to ¥1,639 million, and operating profit decreased ¥125 million, or 22.5%, to ¥434 million due to a decrease in the number of job placements.

(2) Overview of Financial Position for the Fiscal Year

(2)-1. Assets

Total consolidated assets at the end of the fiscal year (March 31, 2020) increased ¥2,877 million from March 31, 2019 to ¥77,493 million. This reflected an increase of ¥2,642 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, 2020 increased ¥921 million from March 31, 2019 to ¥33,166 million. This reflected increases of ¥301 million in current liabilities and ¥620 million in non-current liabilities from the previous fiscal year-end. The increase in current liabilities was primarily due to an increase in accrued consumption taxes in conjunction with the consumption tax rate hike, along with other factors, while the increase in non-current liabilities was mainly due to factors such as an increase in retirement benefit liability.

(2)-3. Net Assets

Total consolidated net assets as of March 31, 2020 increased ¥1,956 million from March 31, 2019 to ¥44,327 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, 2020 increased by ¥1,980 million compared to the previous fiscal year-end to ¥47,033 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 decreased by ¥436 million compared to the previous fiscal year to ¥9,837 million. The cash gained was primarily due to profit before income taxes.

(3)-2 Cash Flows from Investing Activities

Cash used in investing activities increase by ¥295 million compared to the previous fiscal year to ¥536 million. Major uses of cash included ¥323 million in purchase of property, plant and equipment and ¥108 million in purchase of intangible assets.

(3)-3 Cash Flows from Financing Activities

Cash used in financing activities increase by ¥585 million compared to the previous fiscal year to ¥7,319 million. Major uses of cash included ¥1,712 million in purchase of treasury shares and ¥5,607 million in cash dividends paid.

(4) Future Outlook

Due to the impact of the novel coronavirus (COVID-19), the outlook for the order environment is uncertain. However, we will announce the consolidated forecasts for the first six months of the fiscal year ending March 31, 2021, which can be reasonably estimated based on the latest operating status and outlook, assuming that the assignment of new employees will be carried out later than usual. We will not announce full-year consolidated forecasts this time because of the uncertainty.

For details of the forecasts for the first six months of fiscal year ending March 31, 2021, please refer to the IR presentation materials of the Fiscal Year ended March 31, 2020 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.

2. Consolidated Financial Statements
(1) Consolidated Balance Sheets

(Millions of yen)

	Fiscal year ended March 31, 2019	Fiscal year ended March 31, 2020
Assets		
Current assets		
Cash and deposits	45,052	47,033
Notes and accounts receivable - trade	13,884	14,696
Work in process	170	154
Other	931	798
Allowance for doubtful accounts	(2)	(2)
Total current assets	60,036	62,679
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	3,601	3,533
Tools, furniture and fixtures, net	176	309
Land	1,487	1,487
Other, net	136	2
Total property, plant and equipment	5,402	5,332
Intangible assets		
Software	699	567
Other	43	20
Total intangible assets	742	588
Investments and other assets		
Investment securities	27	27
Deferred tax assets	7,640	8,062
Other	779	816
Allowance for doubtful accounts	(14)	(12)
Total investments and other assets	8,433	8,893
Total non-current assets	14,579	14,814
Total assets	74,615	77,493

(Millions of yen)

	Fiscal year ended March 31, 2019	Fiscal year ended March 31, 2020
Liabilities		
Current liabilities		
Accrued expenses	3,363	3,124
Income taxes payable	2,272	2,344
Accrued consumption taxes	1,418	2,339
Provision for bonuses for directors (and other officers)	233	238
Provision for bonuses	7,697	7,959
Other	1,942	1,221
Total current liabilities	16,927	17,228
Non-current liabilities		
Retirement benefit liability	15,317	15,937
Total non-current liabilities	15,317	15,937
Total liabilities	32,244	33,166
Net assets		
Shareholders' equity		
Share capital	5,000	5,000
Capital surplus	9,198	7,927
Retained earnings	35,469	38,952
Treasury shares	(5,495)	(5,929)
Total shareholders' equity	44,173	45,950
Accumulated other comprehensive income		
Revaluation reserve for land	(662)	(662)
Remeasurements of defined benefit plans	(1,139)	(961)
Total accumulated other comprehensive income	(1,802)	(1,623)
Total net assets	42,371	44,327
Total liabilities and net assets	74,615	77,493

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

(Millions of yen)

	Fiscal year ended March 31, 2019	Fiscal year ended March 31, 2020
Net sales	97,736	100,995
Cost of sales	71,701	73,823
Gross profit	26,035	27,171
Selling, general and administrative expenses	13,399	14,245
Operating profit	12,635	12,926
Non-operating income		
Interest income	1	1
Subsidy income	—	38
Other	13	15
Total non-operating income	15	55
Non-operating expenses		
Commission expenses	3	2
Commitment fee	2	2
Other	1	2
Total non-operating expenses	7	6
Ordinary profit	12,643	12,975
Extraordinary income		
Gain on sales of investment securities	11	—
Gain on liquidation of subsidiaries and associates	14	—
Other	0	—
Total extraordinary income	26	—
Extraordinary losses		
Impairment loss	15	—
Loss on retirement of non-current assets	3	3
Total extraordinary losses	18	3
Profit before income taxes	12,651	12,971
Income taxes - current	4,197	4,367
Income taxes - deferred	(375)	(489)
Total income taxes	3,822	3,878
Profit	8,829	9,093
Profit attributable to owners of parent	8,829	9,093

(Consolidated Statements of Comprehensive Income)

(Millions of yen)

	Fiscal year ended March 31, 2019	Fiscal year ended March 31, 2020
Profit	8,829	9,093
Other comprehensive income		
Foreign currency translation adjustment	(4)	—
Remeasurements of defined benefit plans, net of tax	149	178
Total other comprehensive income	145	178
Comprehensive income	8,974	9,271
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	8,969	9,271
Comprehensive income attributable to non-controlling interests	5	—

(3) Consolidated Statements of Changes in Equity
Fiscal year ended March 31, 2019

(Millions of Yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of period	5,000	11,955	31,873	(6,750)	42,078
Changes during period					
Dividends of surplus			(5,233)		(5,233)
Profit attributable to owners of parent			8,829		8,829
Purchase of treasury shares				(1,502)	(1,502)
Disposal of treasury shares		0		0	0
Cancellation of treasury shares		(2,757)		2,757	—
Net changes in items other than shareholders' equity					
Total changes during period	—	(2,757)	3,596	1,255	2,094
Balance at end of period	5,000	9,198	35,469	(5,495)	44,173

	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 period	(662)	9	(1,288)	(1,942)	2	40,139
Changes during period						
Dividends of surplus						(5,233)
Profit attributable to owners of parent						8,829
Purchase of treasury shares						(1,502)
Disposal of treasury shares						0
Cancellation of treasury shares						—
Net changes in items other than shareholders' equity	—	(9)	149	140	(2)	137
Total changes during period	—	(9)	149	140	(2)	2,231
Balance at end of period	(662)	—	(1,139)	(1,802)	—	42,371

Fiscal year ended March 31, 2020

(Millions of Yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of period	5,000	9,198	35,469	(5,495)	44,173
Changes during period					
Dividends of surplus			(5,610)		(5,610)
Profit attributable to owners of parent			9,093		9,093
Purchase of treasury shares				(1,705)	(1,705)
Cancellation of treasury shares		(1,271)		1,271	—
Net changes in items other than shareholders' equity					
Total changes during period	—	(1,271)	3,482	(434)	1,777
Balance at end of period	5,000	7,927	38,952	(5,929)	45,950

	Accumulated other comprehensive income			Total net assets
	Revaluation reserve for land	Remeasurements of defined benefit plans	Total accumulated other comprehensive income	
Balance at beginning of period	(662)	(1,139)	(1,802)	42,371
Changes during period				
Dividends of surplus				(5,610)
Profit attributable to owners of parent				9,093
Purchase of treasury shares				(1,705)
Cancellation of treasury shares				—
Net changes in items other than shareholders' equity	—	178	178	178
Total changes during period	—	178	178	1,956
Balance at end of period	(662)	(961)	(1,623)	44,327

(4) Consolidated Statements of Cash Flows

(Millions of yen)

	Fiscal year ended March 31, 2019	Fiscal year ended March 31, 2020
Cash flows from operating activities		
Profit before income taxes	12,651	12,971
Depreciation	534	562
Impairment loss	15	—
Increase (decrease) in allowance for doubtful accounts	1	(0)
Increase (decrease) in provision for bonuses for directors (and other officers)	18	5
Increase (decrease) in provision for bonuses	241	261
Increase (decrease) in provision for loss on liquidation of subsidiaries and associates	(4)	—
Increase (decrease) in retirement benefit liability	914	866
Interest and dividend income	(1)	(1)
Subsidy income	—	(38)
Loss (gain) on sales of investment securities	(11)	—
Loss on retirement of non-current assets	3	3
Loss (gain) on liquidation of subsidiaries and associates	(14)	—
Decrease (increase) in trade receivables	(68)	(811)
Decrease (increase) in inventories	9	16
Decrease (increase) in other current assets	(208)	132
Increase (decrease) in accrued expenses	35	(238)
Increase (decrease) in accrued consumption taxes	(2)	921
Increase (decrease) in other current liabilities	304	(595)
Other, net	57	44
Subtotal	14,474	14,099
Interest and dividends received	1	1
Income taxes paid	(4,225)	(4,302)
Income taxes refund	22	(0)
Proceeds from subsidy income	—	38
Net cash provided by (used in) operating activities	10,273	9,837
Cash flows from investing activities		
Purchase of property, plant and equipment	(135)	(323)
Purchase of intangible assets	(72)	(108)
Payments for retirement of non-current assets	(0)	(0)
Decrease (increase) in other investments	(64)	(103)
Other, net	31	—
Net cash provided by (used in) investing activities	(240)	(536)
Cash flows from financing activities		
Purchase of treasury shares	(1,505)	(1,712)
Dividends paid	(5,228)	(5,607)
Other, net	(0)	—
Net cash provided by (used in) financing activities	(6,734)	(7,319)
Effect of exchange rate change on cash and cash equivalents	(0)	—
Net increase (decrease) in cash and cash equivalents	3,298	1,980
Cash and cash equivalents at beginning of period	41,753	45,052
Cash and cash equivalents at end of period	45,052	47,033