



Consolidated Financial Report For the Three Months Ended June 30, 2020

July 30, 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 1st Quarter (April 1, 2020 to June 30, 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	%
Three months ended June 30, 2020	23,764	(2.3)	2,778	8.2	2,786	8.2	1,667	7.4
Three months ended June 30, 2019	24,333	2.4	2,567	(14.5)	2,576	(14.3)	1,552	(18.3)

(Note) Comprehensive Income; Three months ended June 30, 2020: 1,733 million yen [7.2%]
 Three months ended June 30, 2019: 1,617 million yen [(17.6)%]

	Earnings per Share	Diluted Net Income per Share
	Yen	Yen
Three months ended June 30, 2020	60.43	—
Three months ended June 30, 2019	55.63	—

(2) Consolidated financial position

	Total Assets	Net Assets	Equity Ratio
	Millions of Yen	Millions of Yen	%
As of June 30, 2020	71,934	42,872	59.6
As of March 31, 2020	77,493	44,327	57.2

Reference: Shareholders' Equity; as of June 30, 2020: 42,872 million yen
 as of March 31, 2020: 44,327 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, 2020	—	86.50	—	115.50	202.00
FY ending March 31, 2021	—	—	—	—	—
FY ending March 31, 2021 (Forecast)	—	65.50	—	—	—

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

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 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) Revision of performance forecast from recent forecast: None

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.

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) | |
| 1st quarter ended June 30, 2020: | 29,000,000 |
| FY ended March 31, 2020: | 29,000,000 |
| ii. Number of treasury shares at the fiscal year end | |
| 1st quarter ended June 30, 2020: | 1,399,613 |
| FY ended March 31, 2020: | 1,399,519 |
| iii. Average number of shares outstanding during the period | |
| 1st quarter ended June 30, 2020: | 27,600,466 |
| 1st quarter ended June 30, 2019: | 27,904,799 |

*** 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. Qualitative Information on the Consolidated Results for the 1st Quarter

Qualitative Information on the Consolidated Operating Results

During the three months from April 1, 2020 to June 30, 2020, with the spread of the novel coronavirus disease (COVID-19), the economic climate rapidly deteriorated as the declaration of a state of emergency was issued and economic activities were severely restricted. Investment in technological development looking to the next generation at leading manufacturers that are our major clients partly weakened, and the Company's order environment was severe.

Under these circumstances, 616 new graduates joined us in April 2020 (MT: 399, MF: 217), thanks to active hiring activities developed before the spread of COVID-19, increasing the number of engineers in the Group. However, as a result of being forced to conduct training with the highest priority to prevent the spread of infections with COVID-19, the assignment of new employees was delayed much more than normal years, and with an addition of the harsh order environment, the utilization ratio declined compared to normal years. Additionally, as a result of increased reduction of clients' overtime hours due to requests to refrain from going out at night, working hours declined due to the decrease in overtime work.

As a result, consolidated net sales for the period under review decreased ¥569 million, or 2.3%, from a year earlier to ¥23,764 million. Consolidated cost of sales fell ¥580 million, or 3.2%, from a year earlier to ¥17,467 million, chiefly because of lower labor costs mainly due to a decrease in working hours, despite an increase in labor costs associated with a growth in the number of engineers. Consolidated selling, general and administrative expenses fell ¥199 million, or 5.4%, from a year earlier to ¥3,518 million with the absence of once-off recording of system costs in the previous fiscal year. Consequently, consolidated operating profit increased ¥210 million, or 8.2%, from a year earlier to ¥2,778 million, and consolidated ordinary profit increased ¥210 million, or 8.2%, from a year earlier to ¥2,786 million. Profit attributable to owners of parent increased ¥115 million, or 7.4%, from a year earlier to ¥1,667 million.

For details, please refer to the summary of the first quarter of the Fiscal Year ending March 31, 2021 on the Company's website.

2. Consolidated Financial Statements
(1) Consolidated Balance Sheets

(Millions of Yen)

	Fiscal year ended Mar. 31, 2020	The 1st Quarter ended Jun. 30, 2020
Assets		
Current assets		
Cash and deposits	47,033	42,220
Notes and accounts receivable - trade	14,696	13,783
Work in process	154	411
Other	798	855
Allowance for doubtful accounts	(2)	(2)
Total current assets	62,679	57,266
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	3,533	3,496
Other, net	1,798	1,773
Total property, plant and equipment	5,332	5,270
Intangible assets		
Other	588	548
Total intangible assets	588	548
Investments and other assets		
Deferred tax assets	8,062	8,032
Other	844	828
Allowance for doubtful accounts	(12)	(12)
Total investments and other assets	8,893	8,848
Total non-current assets	14,814	14,667
Total assets	77,493	71,934
Liabilities		
Current liabilities		
Income taxes payable	2,344	1,012
Provision for bonuses for directors (and other officers)	238	45
Provision for bonuses	7,959	3,294
Other	6,685	8,784
Total current liabilities	17,228	13,135
Non-current liabilities		
Retirement benefit liability	15,937	15,926
Total non-current liabilities	15,937	15,926
Total liabilities	33,166	29,062
Net assets		
Shareholders' equity		
Share capital	5,000	5,000
Capital surplus	7,927	7,927
Retained earnings	38,952	37,432
Treasury shares	(5,929)	(5,929)
Total shareholders' equity	45,950	44,430
Accumulated other comprehensive income		
Revaluation reserve for land	(662)	(662)
Remeasurements of defined benefit plans	(961)	(895)
Total accumulated other comprehensive income	(1,623)	(1,558)
Total net assets	44,327	42,872
Total liabilities and net assets	77,493	71,934

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

(Millions of Yen)

	The 1st Quarter ended Jun. 30, 2019	The 1st Quarter ended Jun. 30, 2020
Net sales	24,333	23,764
Cost of sales	18,048	17,467
Gross profit	6,285	6,296
Selling, general and administrative expenses	3,717	3,518
Operating profit	2,567	2,778
Non-operating income		
Interest income	0	0
Subsidy income	7	7
Other	2	1
Total non-operating income	10	9
Non-operating expenses		
Commitment fee	0	0
Loss on cancellation of rental contracts	0	—
Other	0	0
Total non-operating expenses	1	0
Ordinary profit	2,576	2,786
Extraordinary losses		
Loss on retirement of non-current assets	1	—
Total extraordinary losses	1	—
Profit before income taxes	2,574	2,786
Income taxes	1,022	1,118
Profit	1,552	1,667
Profit attributable to owners of parent	1,552	1,667

(Consolidated Statements of Comprehensive Income)

(Millions of Yen)

	The 1st Quarter ended Jun. 30, 2019	The 1st Quarter ended Jun. 30, 2020
Profit	1,552	1,667
Other comprehensive income		
Remeasurements of defined benefit plans, net of tax	64	65
Total other comprehensive income	64	65
Comprehensive income	1,617	1,733
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	1,617	1,733

(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 first quarter ended June 30, 2020.

(3)-4 Additional Information

There has been no material change in the assumptions regarding the impact of the spread of COVID-19 stated in (Additional Information) of the Company's annual securities report for the fiscal year ended March 31, 2020.