



Consolidated Financial Report For the Six Months Ended September 30, 2020

October 29, 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 2nd Quarter (April 1, 2020 to September 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	%
Six months ended September 30, 2020	47,091	(5.0)	4,878	(18.7)	4,907	(18.5)	3,138	(21.0)
Six months ended September 30, 2019	49,577	4.1	6,003	3.0	6,020	3.3	3,970	2.2

(Note) Comprehensive Income; Six months ended September 30, 2020: 3,269 million yen [(20.3%)]
 Six months ended September 30, 2019: 4,100 million yen [2.2%]

	Earnings per Share	Diluted Net Income per Share
	Yen	Yen
Six months ended September, 2020	113.73	—
Six months ended September, 2019	142.91	—

(2) Consolidated financial position

	Total Assets	Net Assets	Equity Ratio
	Millions of Yen	Millions of Yen	%
As of September 30, 2020	73,962	44,407	60.0
As of March 31, 2020	77,493	44,327	57.2

Reference: Shareholders' Equity; as of September 30, 2020: 44,407 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
FY ended March 31, 2020	—	86.50	—	115.50	202.00
FY ending March 31, 2021	—	68.50	—	—	—
FY ending March 31, 2021 (Forecast)	—	—	—	98.50	167.00

(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 "Notice Regarding Revisions to Full-year Earnings Forecasts and Year-end Dividend Forecasts" which was announced today, October 29, 2020.

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
FY ending March 31, 2021	97,500	(3.5)	9,900	(23.4)	10,000	(22.9)	6,600	(27.4)	239.13

(Note) Revision of performance forecast from recent forecast: Yes
 Regarding the revision of the performance forecast, please see "Notice Regarding Revisions to Full-year Earnings Forecasts and Year-end Dividend Forecasts" which was announced today, October 29, 2020.

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, 2020: | 29,000,000 |
| FY ended March 31, 2020: | 29,000,000 |
| ii. Number of treasury shares at the fiscal year end | |
| 2nd Quarter ended September 30, 2020: | 1,399,848 |
| FY ended March 31, 2020: | 1,399,519 |
| iii. Average number of shares outstanding during the period | |
| 2nd Quarter ended September 30, 2020: | 27,600,379 |
| 2nd Quarter ended September 30, 2019: | 27,785,957 |

*** 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 2nd Quarter

(1) Qualitative Information on the Consolidated Operating Results

During the six months from April 1, 2020 to September 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. While there were signs of a partial recovery after the declaration was lifted, the economic outlook remained uncertain.

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 in early spring, and due to weak recovery after the event, working hours declined compared to normal years.

As a result, consolidated net sales for the period under review decreased ¥2,486 million, or 5.0%, from a year earlier to ¥47,091 million. Consolidated cost of sales fell ¥1,153 million, or 3.2%, from a year earlier to ¥35,307 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 ¥208 million, or 2.9%, from a year earlier to ¥6,905 million with the absence of once-off recording of system costs in the previous fiscal year.

Consolidated operating profit decreased ¥1,124 million, or 18.7%, from a year earlier to ¥4,878 million

Consolidated ordinary profit decreased ¥1,112 million, or 18.5%, from a year earlier to ¥4,907 million. Profit attributable to owners of parent decreased ¥831 million, or 21.0%, from a year earlier to ¥3,138 million.

For details, please refer to "Results for the 2nd Quarter of the Fiscal Year ending March 31, 2021" on the Company's website.

(2) Explanation of Forecast Information Such as Consolidated Earnings Forecasts, etc.

The full-year consolidated forecasts for the Fiscal Year ending March 31, 2021, which had not been determined due to the difficulty of making a reasonable calculation, have been calculated based on the information available at this point.

For details, please refer to "Notice Regarding Revisions to Full-year Earnings Forecasts and Year-end Dividend Forecasts" and "Results for the 2nd 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 2nd Quarter ended Sep. 30, 2020
Assets		
Current assets		
Cash and deposits	47,033	44,838
Notes and accounts receivable - trade	14,696	13,043
Work in process	154	390
Other	798	1,167
Allowance for doubtful accounts	(2)	(2)
Total current assets	62,679	59,437
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	3,533	3,453
Other, net	1,798	1,745
Total property, plant and equipment	5,332	5,199
Intangible assets		
Other	588	518
Total intangible assets	588	518
Investments and other assets		
Deferred tax assets	8,062	8,003
Other	844	816
Allowance for doubtful accounts	(12)	(12)
Total investments and other assets	8,893	8,807
Total non-current assets	14,814	14,525
Total assets	77,493	73,962
Liabilities		
Current liabilities		
Income taxes payable	2,344	1,741
Provision for bonuses for directors (and other officers)	238	85
Provision for bonuses	7,959	6,542
Other	6,685	5,163
Total current liabilities	17,228	13,533
Non-current liabilities		
Retirement benefit liability	15,937	16,021
Total non-current liabilities	15,937	16,021
Total liabilities	33,166	29,555
Net assets		
Shareholders' equity		
Share capital	5,000	5,000
Capital surplus	7,927	7,927
Retained earnings	38,952	38,903
Treasury shares	(5,929)	(5,931)
Total shareholders' equity	45,950	45,900
Accumulated other comprehensive income		
Revaluation reserve for land	(662)	(662)
Remeasurements of defined benefit plans	(961)	(830)
Total accumulated other comprehensive income	(1,623)	(1,492)
Total net assets	44,327	44,407
Total liabilities and net assets	77,493	73,962

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

(Millions of Yen)

	The 2nd Quarter ended Sep. 30, 2019	The 2nd Quarter ended Sep. 30, 2020
Net sales	49,577	47,091
Cost of sales	36,461	35,307
Gross profit	13,116	11,783
Selling, general and administrative expenses	7,113	6,905
Operating profit	6,003	4,878
Non-operating income		
Interest income	0	0
Subsidy income	10	25
Gain on sales of non-current assets	5	—
Other	5	5
Total non-operating income	22	31
Non-operating expenses		
Commitment fee	1	1
Commission expenses	2	—
Other	1	0
Total non-operating expenses	4	1
Ordinary profit	6,020	4,907
Extraordinary losses		
Impairment loss	—	4
Other	2	0
Total extraordinary losses	2	4
Profit before income taxes	6,018	4,903
Income taxes	2,047	1,764
Profit	3,970	3,138
Profit attributable to owners of parent	3,970	3,138

(Consolidated Statements of Comprehensive Income)

(Millions of Yen)

	The 2nd Quarter ended Sep. 30, 2019	The 2nd Quarter ended Sep. 30, 2020
Profit	3,970	3,138
Other comprehensive income		
Remeasurements of defined benefit plans, net of tax	129	130
Total other comprehensive income	129	130
Comprehensive income	4,100	3,269
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	4,100	3,269

(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, 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.