



Consolidated Financial Report For the Fiscal Year Ended March 31, 2022

May 12, 2022

Company Name: MEITEC CORPORATION
 Representative: Hideyo Kokubun
 President, Group CEO
 Code No.: 9744 TSE Prime Market

[Fractions of one million yen are rounded down]

1. Consolidated Results for the Fiscal Year Ended March 31, 2022 (April 1, 2021 to March 31, 2022)

(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, 2022	107,140	10.9	12,817	25.2	12,948	25.6	9,240	31.5
FY ended March 31, 2021	96,626	(4.3)	10,234	(20.8)	10,306	(20.6)	7,028	(22.7)

(Note) Comprehensive Income; FY ended March 31, 2022: 9,498 million yen [31.4 %]
 FY ended March 31, 2021: 7,226 million yen [(22.1) %]

	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, 2022	341.56	—	20.6	16.5	12.0
FY ended March 31, 2021	255.78	—	15.8	13.5	10.6

(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, 2022	81,590	45,287	55.5	1,695.62
As of March 31, 2021	75,038	44,472	59.3	1,634.43

Reference: Shareholders' Equity; as of March 31, 2022: 45,287 million yen
 as of March 31, 2021: 44,472 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, 2022	13,532	(270)	(8,688)	49,706
FY ended March 31, 2021	5,487	(307)	(7,080)	45,132

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, 2021	—	68.50	—	115.50	184.00	5,033	71.9	11.4
FY ended March 31, 2022	—	78.50	—	139.50	217.00	5,848	63.7	13.1
FY ending March 31, 2023 (Forecast)	—	34.00	—	45.00	79.00		60.3	

(Note) At the board of directors meeting held today (May 12, 2022), it was resolved to split the shares at a ratio of 3 shares per common stock with July 1, 2022 as the effective date. The annual dividend per share for the fiscal year ending March 2023 (forecast) is the amount after taking into consideration the stock split. If the stock split is not taken into consideration, the annual dividend per share for the fiscal year ending March 2023 (forecast) would be ¥237.00.

(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.

3. Consolidated Forecasts for the Fiscal Year Ending March 31, 2023

(% 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, 2022	57,300	12.5	6,800	27.4	6,800	25.8	4,500	26.8	56.16
FY ending March 31, 2023	119,000	11.1	15,400	20.1	15,500	19.7	10,500	13.6	131.04

(Note) Stated net income per share for the fiscal year ending March 2023 (forecast) is the amount after taking into consideration the stock split noted in "2. Dividends". Not taking into consideration the stock split, net income per share for the fiscal year ending March 2023 (forecast) would be ¥168.48 for the second quarter (cumulative) and ¥393.13 for the full year.

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 : Yes
 - 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, 2022:	28,100,000
FY ended March 31, 2021:	28,600,000
 - ii. Number of treasury shares at the fiscal year end

FY ended March 31, 2022:	1,391,354
FY ended March 31, 2021:	1,390,253
 - iii. Average number of shares outstanding during the period

FY ended March 31, 2022:	27,054,476
FY ended March 31, 2021:	27,480,114

*** 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**

- (1) Meitec Corporation (the Company) at the board of directors meeting held today (May 12, 2022), it was resolved to split the shares at a ratio of 3 shares per common stock with July 1, 2022 as the effective date.
- (2) 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, 2021 to March 31, 2022), the economic climate was challenging due to intermittent restrictions on economic activities caused by the effect of the novel coronavirus disease (COVID-19). Although the economy continues to pick up as economic and social activities are heading toward normalization and all possible measures are being taken against infection, the economic outlook remains uncertain with an increase in new mutant strains discovered in Japan.

The Company's orders have been mounting a recovery amid a situation where investment in technological development looking to the next generation has picked up among leading manufacturers who serve as its major clients.

Under such circumstances, the Company actively engaged in recruitment with an eye on medium- and long-term growth, and the number of engineers across the group has increased. In addition, the number of engineers assigned to clients increased as assignments proceeded in response to orders, and working hours increased year on year due to a rebound in overtime work.

As a result, consolidated net sales for the fiscal year under review increased ¥10,514 million, or 10.9%, from a year earlier to ¥107,140 million. Consolidated cost of sales increased ¥6,714 million, or 9.3%, from a year earlier to ¥78,917 million, due mainly to an increase in labor expenses associated with growth in the number of engineers while consolidated selling, general and administrative expenses increased ¥1,217 million, or 8.6%, from a year earlier to ¥15,405 million due to increase in hiring-related expenses. Consolidated operating profit increased ¥2,582 million, or 25.2%, from a year earlier to ¥12,817 million.

Consolidated ordinary profit increased ¥2,641 million, or 25.6%, from a year earlier to ¥12,948 million, while profit attributable to owners of parent increased ¥2,211 million, or 31.5%, from a year earlier to ¥9,240 million. For details, please refer to the "Results for the Fiscal Year Ended March 31, 2022" released today 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, which accounts for more than 90% of consolidated net sales, increased ¥10,194 million, or 10.7%, from a year earlier to ¥105,715 million with the impact of the increase in number of engineers assigned to clients and increase in working hours due to a rebound in overtime work.

Operating profit increased ¥2,382 million, or 23.9%, from a year earlier to ¥12,343 million.

The Company's nonconsolidated utilization ratio (overall) increased to 94.3% from 90.4% for the previous fiscal year. Working hours increased compared with the previous fiscal year to 8.42 hours/day (8.31 hours/day for the previous fiscal year).

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

MEITEC NEXT CORPORATION operates job placement business for engineers. Net sales for the fiscal year under review increased ¥313 million, or 25.8%, from a year earlier to ¥1,530 million, an operating profit increased ¥200 million, or 73.1%, from a year earlier to ¥474 million due to an increase 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, 2022) increased ¥6,551 million from March 31, 2021 to ¥81,590 million. This reflected an increase of ¥6,052 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, 2022 increased ¥5,736 million from March 31, 2021 to ¥36,302 million. This reflected an increase of ¥5,396 million in current liabilities and an increase of ¥339 million in noncurrent liabilities from the previous fiscal year-end.

The increase in current liabilities was primarily due to increases in provision for bonuses and income taxes payable, along with other factors, while the increase in noncurrent 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, 2022 increased ¥815 million from March 31, 2021 to ¥45,287 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, 2022 increased by ¥4,574 million compared to the previous fiscal year-end to ¥49,706 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 increased by ¥8,045 million compared to the previous fiscal year to ¥13,532 million. The cash gained was primarily due to profit before income taxes.

(3)-2 Cash Flows from Investing Activities

Cash used in investing activities decreased by ¥36 million compared to the previous fiscal year to ¥270 million. Major uses of cash included ¥75 million in purchase of property, plant and equipment and ¥122 million in purchase of intangible assets.

(3)-3 Cash Flows from Financing Activities

Cash used in financing activities increased by ¥1,607 million compared to the previous fiscal year to ¥8,688 million.

Major uses of cash included ¥3,414 million in purchase of treasury shares and ¥5,273 million in cash dividends paid.

(4) Future Outlook

The future business climate is uncertain due to issues such as timing when COVID-19 will be brought under control. However we will announce the consolidated forecasts for the fiscal year ending March 31, 2023 based on the recent operating status and other factors.

For details of the forecasts for the fiscal year ending March 31, 2023, please refer to the “Results for the Fiscal Year Ended March 31, 2022” released today 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, 2021	Fiscal year ended March 31, 2022
Assets		
Current assets		
Cash and deposits	45,132	49,706
Notes and accounts receivable - trade	14,600	16,098
Work in process	139	178
Other	1,013	954
Allowance for doubtful accounts	(0)	(0)
Total current assets	60,885	66,937
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	3,373	3,271
Tools, furniture and fixtures, net	208	242
Land	1,487	1,487
Other, net	53	1
Total property, plant and equipment	5,122	5,002
Intangible assets		
Software	476	297
Other	18	48
Total intangible assets	495	345
Investments and other assets		
Investment securities	27	27
Deferred tax assets	7,684	8,458
Other	826	820
Allowance for doubtful accounts	(2)	(2)
Total investments and other assets	8,535	9,304
Total non-current assets	14,153	14,652
Total assets	75,038	81,590

(Millions of yen)

	Fiscal year ended March 31, 2021	Fiscal year ended March 31, 2022
Liabilities		
Current liabilities		
Accrued expenses	2,843	3,308
Income taxes payable	1,214	3,310
Accrued consumption taxes	1,850	2,472
Provision for bonuses for directors (and other officers)	187	238
Provision for bonuses	6,801	8,861
Other	1,374	1,477
Total current liabilities	14,272	19,669
Non-current liabilities		
Retirement benefit liability	16,294	16,633
Total non-current liabilities	16,294	16,633
Total liabilities	30,566	36,302
Net assets		
Shareholders' equity		
Share capital	5,000	5,000
Capital surplus	6,155	3,627
Retained earnings	40,903	44,865
Treasury shares	(6,159)	(7,035)
Total shareholders' equity	45,898	46,457
Accumulated other comprehensive income		
Revaluation reserve for land	(662)	(662)
Remeasurements of defined benefit plans	(763)	(506)
Total accumulated other comprehensive income	(1,426)	(1,169)
Total net assets	44,472	45,287
Total liabilities and net assets	75,038	81,590

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

(Millions of yen)

	Fiscal year ended March 31, 2021	Fiscal year ended March 31, 2022
Net sales	96,626	107,140
Cost of sales	72,203	78,917
Gross profit	24,422	28,223
Selling, general and administrative expenses	14,188	15,405
Operating profit	10,234	12,817
Non-operating income		
Interest income	1	1
Subsidy income	69	131
Other	10	10
Total non-operating income	81	144
Non-operating expenses		
Commission expenses	4	10
Commitment fees	2	2
Other	2	0
Total non-operating expenses	9	13
Ordinary profit	10,306	12,948
Extraordinary losses		
Impairment losses	4	4
Loss on retirement of non-current assets	0	0
Total extraordinary losses	4	5
Profit before income taxes	10,301	12,942
Income taxes - current	2,983	4,597
Income taxes - deferred	289	(895)
Total income taxes	3,272	3,701
Profit	7,028	9,240
Profit attributable to owners of parent	7,028	9,240

(Consolidated Statements of Comprehensive Income)

(Millions of yen)

	Fiscal year ended March 31, 2021	Fiscal year ended March 31, 2022
Profit	7,028	9,240
Other comprehensive income		
Remeasurements of defined benefit plans, net of tax	197	257
Total other comprehensive income	197	257
Comprehensive income	7,226	9,498
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	7,226	9,498

(3) Consolidated Statements of Changes in Equity
Fiscal year ended March 31, 2021

(Millions of Yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of period	5,000	7,927	38,952	(5,929)	45,950
Changes during period					
Dividends of surplus			(5,078)		(5,078)
Profit attributable to owners of parent			7,028		7,028
Purchase of treasury shares				(2,002)	(2,002)
Cancellation of treasury shares		(1,772)		1,772	—
Net changes in items other than shareholders' equity					
Total changes during period	—	(1,772)	1,950	(230)	(51)
Balance at end of period	5,000	6,155	40,903	(6,159)	45,898

	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)	(961)	(1,623)	44,327
Changes during period				
Dividends of surplus				(5,078)
Profit attributable to owners of parent				7,028
Purchase of treasury shares				(2,002)
Cancellation of treasury shares				—
Net changes in items other than shareholders' equity	—	197	197	197
Total changes during period	—	197	197	145
Balance at end of period	(662)	(763)	(1,426)	44,472

Fiscal year ended March 31, 2022

(Millions of Yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of period	5,000	6,155	40,903	(6,159)	45,898
Changes during period					
Dividends of surplus			(5,278)		(5,278)
Profit attributable to owners of parent			9,240		9,240
Purchase of treasury shares				(3,404)	(3,404)
Cancellation of treasury shares		(2,528)		2,528	—
Net changes in items other than shareholders' equity					
Total changes during period	—	(2,528)	3,962	(875)	558
Balance at end of period	5,000	3,627	44,865	(7,035)	46,457

	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)	(763)	(1,426)	44,472
Changes during period				
Dividends of surplus				(5,278)
Profit attributable to owners of parent				9,240
Purchase of treasury shares				(3,404)
Cancellation of treasury shares				—
Net changes in items other than shareholders' equity	—	257	257	257
Total changes during period	—	257	257	815
Balance at end of period	(662)	(506)	(1,169)	45,287

(4) Consolidated Statements of Cash Flows

	(Millions of yen)	
	Fiscal year ended March 31, 2021	Fiscal year ended March 31, 2022
Cash flows from operating activities		
Profit before income taxes	10,301	12,942
Depreciation	553	550
Impairment losses	4	4
Increase (decrease) in allowance for doubtful accounts	(2)	(0)
Increase (decrease) in provision for bonuses for directors (and other officers)	(51)	51
Increase (decrease) in provision for bonuses	(1,157)	2,059
Increase (decrease) in retirement benefit liability	642	717
Interest and dividend income	(1)	(1)
Subsidy income	(69)	(131)
Loss on retirement of non-current assets	0	0
Decrease (increase) in trade receivables	96	(1,498)
Decrease (increase) in inventories	15	(39)
Decrease (increase) in other current assets	(77)	(78)
Increase (decrease) in accrued expenses	(280)	465
Increase (decrease) in accrued consumption taxes	(489)	622
Increase (decrease) in other current liabilities	140	31
Other, net	2	156
Subtotal	<u>9,628</u>	<u>15,852</u>
Interest and dividends received	1	1
Income taxes paid	(4,211)	(2,587)
Income taxes refund	—	134
Subsidies received	69	131
Net cash provided by (used in) operating activities	<u>5,487</u>	<u>13,532</u>
Cash flows from investing activities		
Purchase of property, plant and equipment	(72)	(75)
Purchase of intangible assets	(153)	(122)
Payments for retirement of non-current assets	—	(0)
Decrease (increase) in investments and other assets	(81)	(72)
Net cash provided by (used in) investing activities	<u>(307)</u>	<u>(270)</u>
Cash flows from financing activities		
Purchase of treasury shares	(2,005)	(3,414)
Dividends paid	(5,075)	(5,273)
Net cash provided by (used in) financing activities	<u>(7,080)</u>	<u>(8,688)</u>
Net increase (decrease) in cash and cash equivalents	<u>(1,900)</u>	<u>4,574</u>
Cash and cash equivalents at beginning of period	47,033	45,132
Cash and cash equivalents at end of period	45,132	49,706