

Results for the 1st Quarter of the Fiscal Year Ending March 31, 2023

July 28, 2022

MEITEC CORPORATION

President and CEO, COO
MEITEC Group CEO
Hideyo Kokubun

Disclaimer

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.

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.

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Results for the 1st Quarter of the Fiscal Year Ending March 31, 2023 (Group Consolidated)

- ✓ Net sales rose 13.6% year on year ⇒ Number of engineers assigned to clients and utilization ratio both increased.
- ✓ Operating profit rose 45.9% ⇒ Increase in net sales absorbed increases in costs such as labor expenses and SG&A expenses.

(Fractions of one million yen are rounded down)	1Q ended June. 30, 2021	1Q ended June. 30, 2022	YoY Amount	% Change	Initial Forecast for 2Q, announced on May 2022	% Change
Net sales	25,196	28,632	+3,436	+13.6%	57,300	50.0%
Cost of sales	18,835	20,896	+2,060	+10.9%	42,000	
Cost of sales to Net sales	74.8%	73.0%	(1.8%)			
SG&A Expenses	3,807	4,010	+203	+5.3%	8,500	
Operating profit	2,552	3,725	+1,172	+45.9%	6,800	54.8%
Operating profit margins	10.1%	13.0%	+2.9%		11.9%	
Ordinary profit	2,581	3,741	+1,159	+44.9%	6,800	55.0%
Extraordinary income & loss	0	0	—			
Profit before income taxes	2,581	3,740	+1,159	+44.9%		
Profit attributable to owners of parent	1,606	2,370	+763	+47.5%	4,500	52.7%
Profit margins	6.4%	8.3%	+1.9%			

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Results for the 1st Quarter of the Fiscal Year Ending March 31, 2023 (Meitec)

- ✓ Net sales rose 10.6% year on year ⇒ Orders received strengthened on proposal sales while number of engineers assigned to clients and utilization ratio both increased.
- ✓ Operating profit rose 33.4% ⇒ Increase in net sales absorbed increases in costs such as labor expenses and SG&A expenses.

(Fractions of one million yen are rounded down)	1Q ended June. 30, 2021	1Q ended June. 30, 2022	YoY Amount	% Change	Initial Forecast for 2Q, announced on May 2022	% Change
Net sales	18,270	20,199	+1,929	+10.6%	40,000	50.5%
Operating profit	2,230	2,974	+744	+33.4%	5,300	56.1%
Operating profit margins	12.2%	14.7%	+2.5%		13.3%	
Ordinary profit	2,803	3,864	+1,061	+37.8%	6,200	62.3%
Profit	1,938	2,732	+793	+40.9%	4,300	63.5%
Utilization ratio (Company-wide)	88.9%	93.5%	+4.6%		94.2%	
Working Hours (h/day)	8.43	8.35	(0.08)	(0.9%)	8.36	
Number of Engineers	7,655	7,868	+213	+2.8%		

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Results for the 1st Quarter of the Fiscal Year Ending March 31, 2023 (Meitec Fielders)

- ✓ Net sales rose 22.9% year on year ⇒ Number of engineers assigned to clients increased dramatically and utilization ratio also increased.
- ✓ Operating profit rose 235.3% ⇒ Increase in net sales absorbed attendant increases in costs such as labor expenses and SG&A expenses.

(Fractions of one million yen are rounded down)	1Q ended June. 30, 2021	1Q ended June. 30, 2022	YoY Amount	% Change	Initial Forecast for 2Q, announced on May 2022	% Change
Net sales	5,881	7,228	+1,347	+22.9%	14,600	49.5%
Operating profit	163	547	+384	+235.3%	950	57.6%
Operating profit margins	2.8%	7.6%	+4.8%		6.5%	
Ordinary profit	163	547	+384	+235.3%	950	57.6%
Profit	111	376	+265	+238.5%	650	57.8%
Utilization ratio (Company-wide)	80.4%	87.5%	+7.1%		90.2%	
Working Hours<h/day>	8.39	8.26	(0.13)	(1.5%)	8.34	
Number of Engineers	3,705	4,218	+513	+13.8%		

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Results for the 1st Quarter of the Fiscal Year Ending March 31, 2023 (Group Overview)

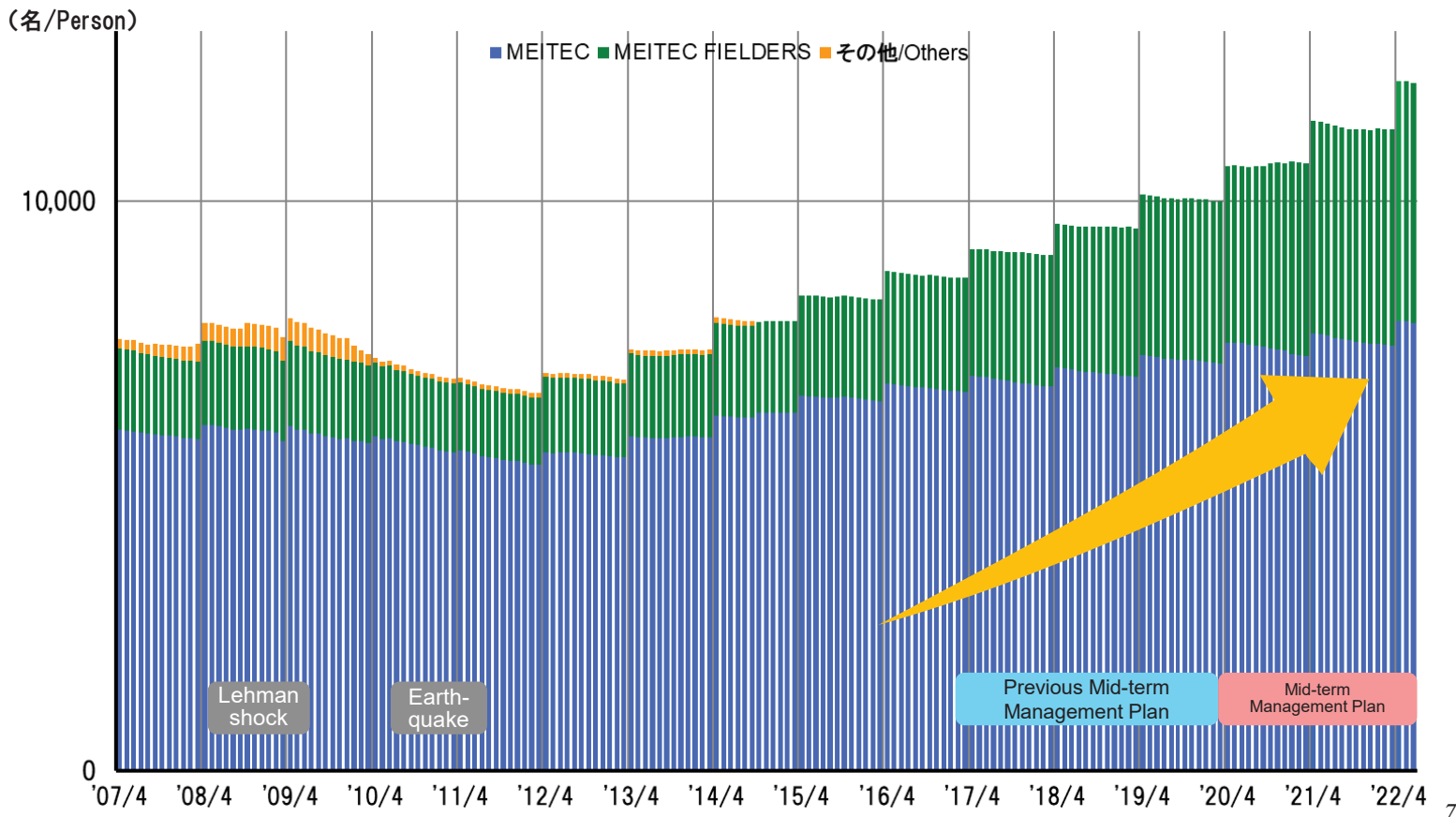
- ✓ Both sales and profit increased YoY due to a rise in the number of job placements in the Recruiting & Placement Business for Engineers.

(Fractions of one million yen are rounded down)	Engineering Solutions Business				Recruiting & Placement Business for Engineers
	Meitec	Meitec Fielders	Meitec Cast	Meitec EX	Meitec Next
Net sales	20,199	7,228	815	83	442
YoY Amount	+1,929	+1,347	+70	+19	+62
% Change	+10.6%	+22.9%	+9.5%	+31.1%	+16.4%
Operating profit	2,974	547	60	(2)	157
YoY Amount	+744	+384	(1)	(5)	+37
% Change	+33.4%	+235.3%	(2.3%)	—	+31.2%
Ordinary profit	3,864	547	60	(2)	157
Profit	2,732	376	41	(2)	108

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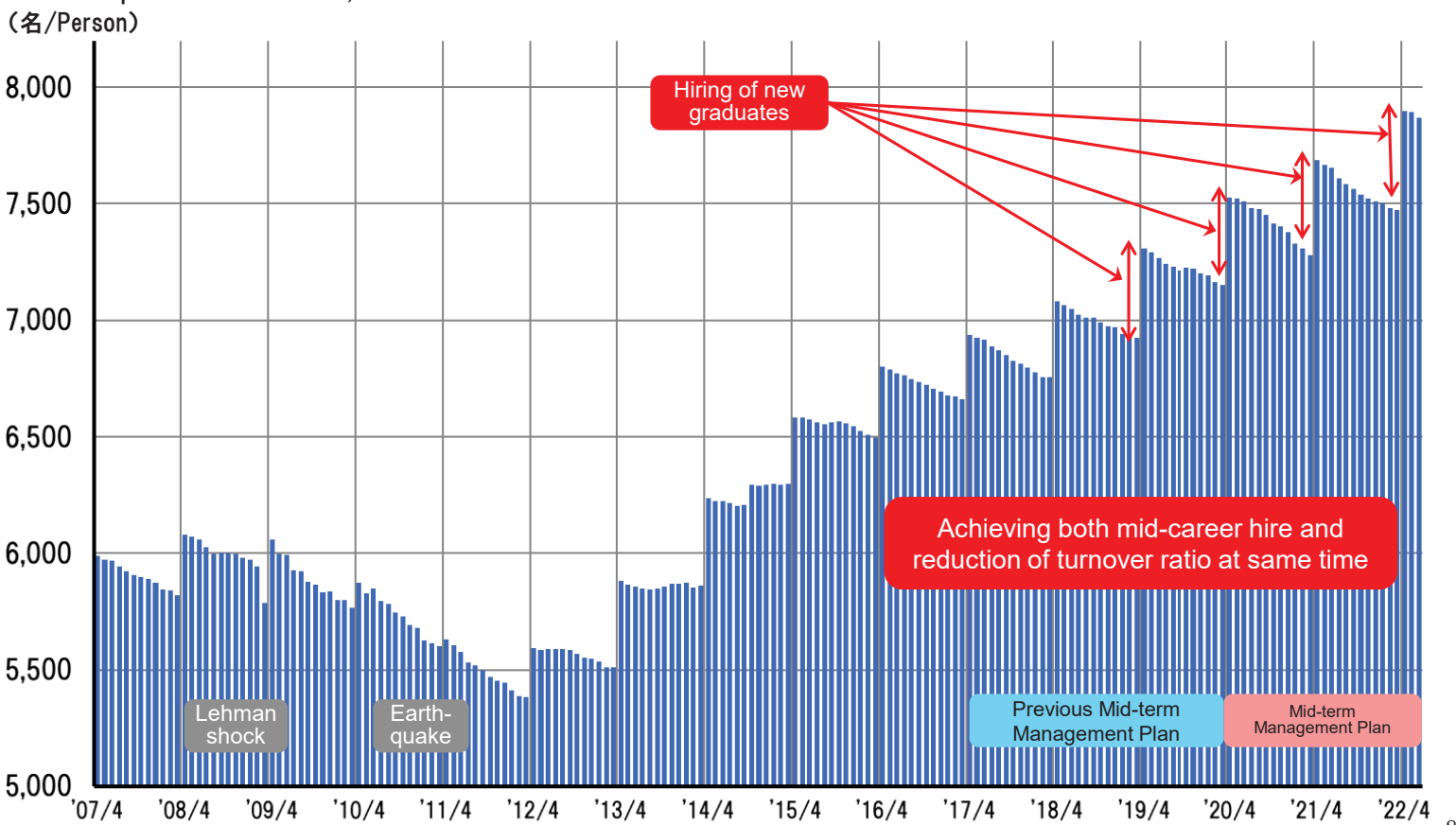
Number of Engineers (Group Consolidated)

✓ The number of engineers as of June 30, 2022 was 12,086, an increase of 726 engineers, or 6.4%, compared to June 30, 2021.



Number of Engineers (Meitec)

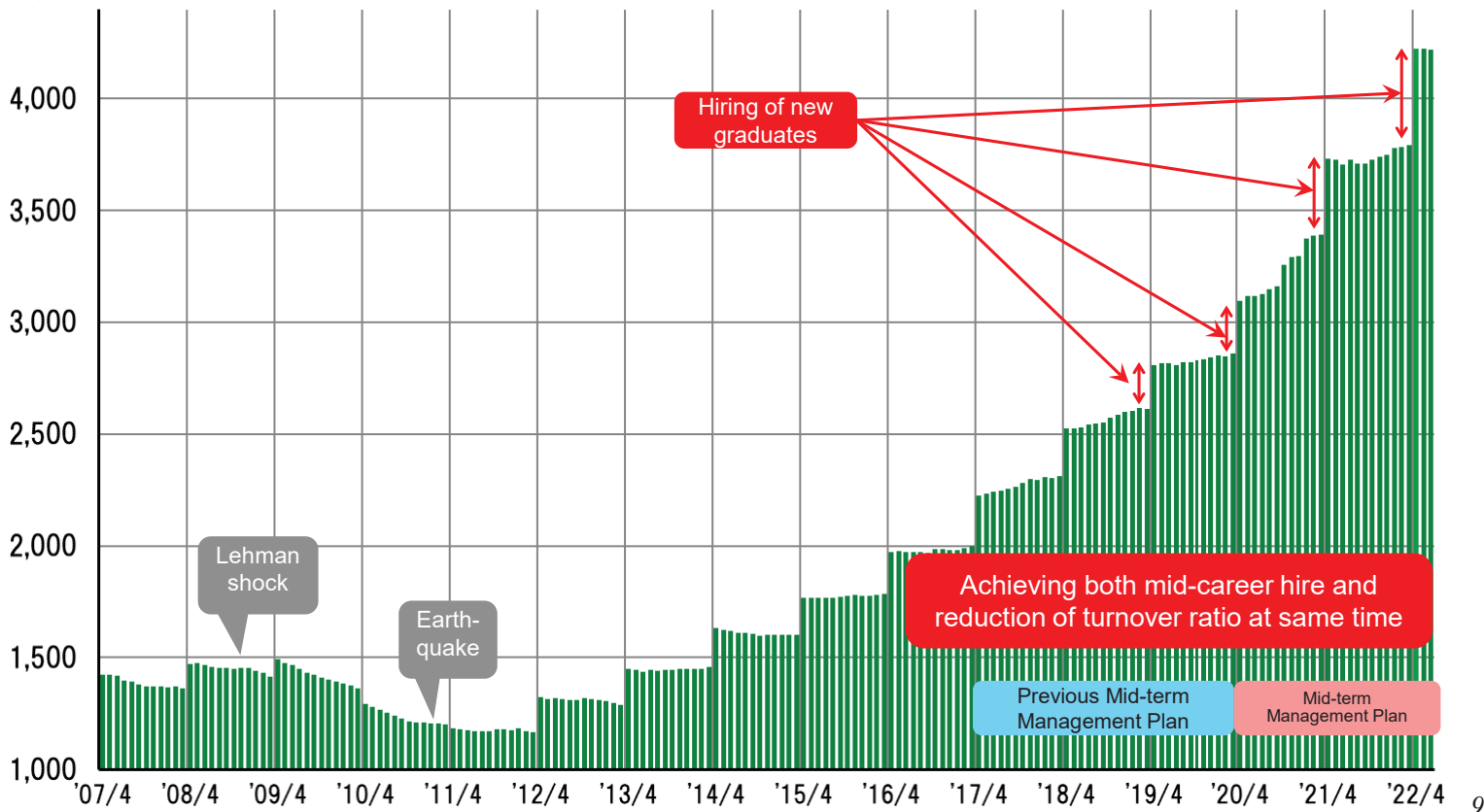
✓ The number of engineers as of June 30, 2022 was 7,868, an increase of 213 engineers, or 2.8%, compared to June 30, 2021.



Number of Engineers (Meitec Fielders)

- ✓ The number of engineers as of June 30, 2022 was 4,218, an increase of 513 engineers, or 13.8%, compared to June 30, 2021.

(名/Person)



Hiring Target for the Fiscal Year Ending March 31, 2023

Mid-career (FY 2023/3)

- The need for work-ready engineers is higher than before the COVID-19 pandemic, and the hiring environment continues to be competitive
- ✓ Expanding recruitment channels and actively communicating the “lifetime professional engineer” career style and our approach to career advancement, aiming to secure the number of hires
- ✓ While maintaining hiring standards, we are promoting active recruitment with an eye on medium- to long-term growth and development

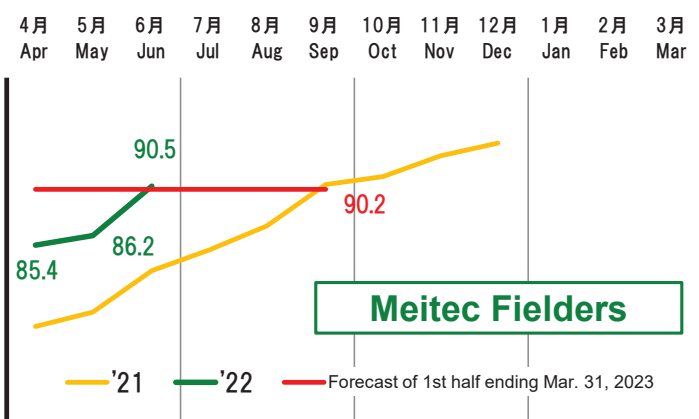
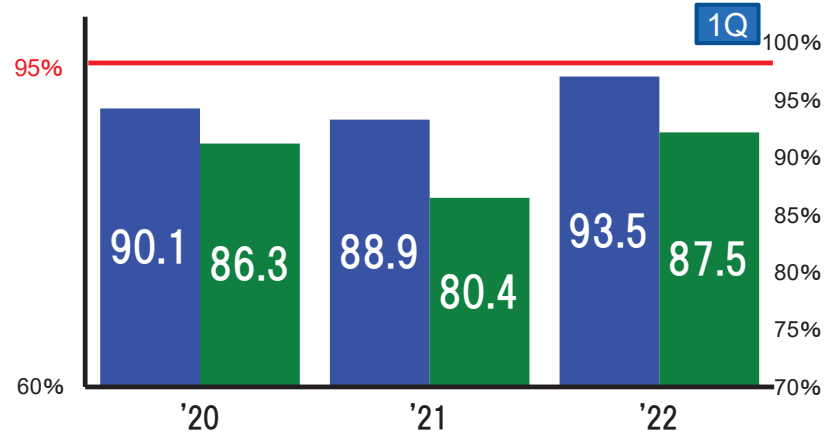
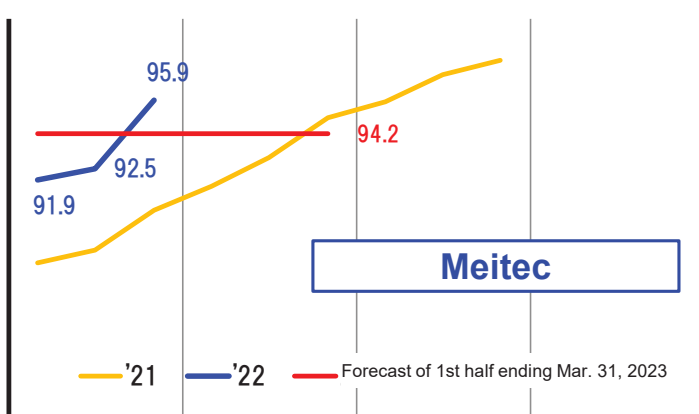
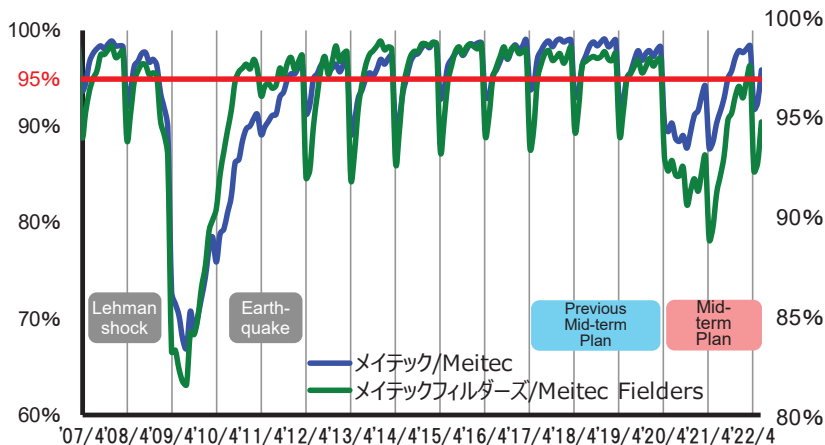
New Graduates (Joined April 2023)

- Amidst the ongoing sellers’ market in recent years, the recruitment activities of companies are accelerating and recruitment competition is intensifying
- ✓ Through internships, etc., attract students with “career styles centered on the occupation” as a lifelong professional engineer
- ✓ While placing the highest priority on securing the safety of students, continue recruitment activities that emphasize the importance of a student’s inclination (a desire to grow, etc.)
- ※ As we are working to continuously realize the provision of solutions that are involved in the development of state-of-the-art technology and the latest products at the design and development department, the hiring standard cannot be lowered

(person)	Fiscal Year Ending March 31, 2023					Fiscal Year Ending March 31, 2024	
	New Graduates April 2022 (Actual)	Mid-career		Total		New Graduates April 2023	
		<Target>	Comparison to Previous Year	<Target>	Comparison to Previous Year	<Target>	Comparison to Previous Year
Meitec	474	280	+40	754	+52	500	+26
Meitec Fielders	411	800	(200)	1,211	(91)	450	+39
Total	885	1,080	(160)	1,965	(39)	950	+65

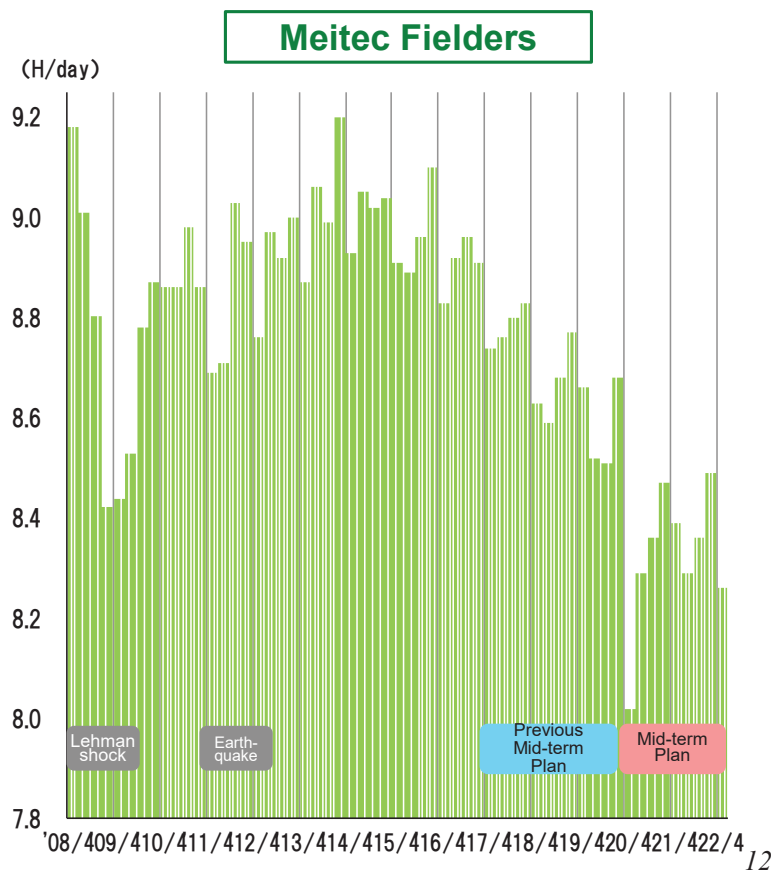
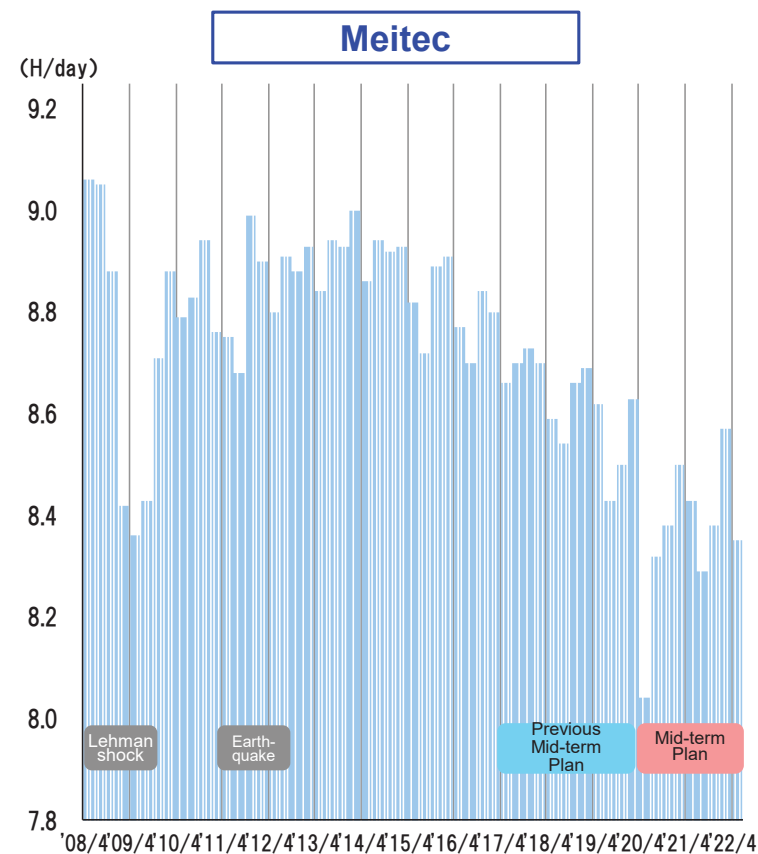
Utilization Ratio

✓ Increase in utilization ratio ⇒ Steady assignments of new employees (graduate and career hires) and existing employees.



Working Hours

✓ Slight year-on-year decrease due to decrease in overtime work and so forth.

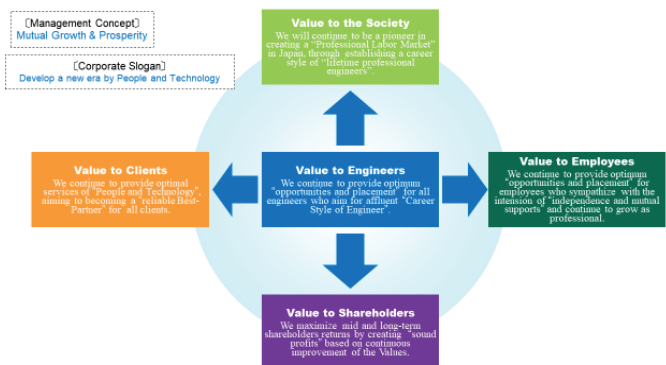


1. From the perspective of creating shareholder value without sacrificing a wide range of stakeholders, should you not accelerate shareholder returns?
2. As you are experiencing continued favorable business results, isn't it time to revise the profit distribution policy? Since fiscal 2009, the Company has proven that it generates steady cash flow, even during difficult times in the Japanese and global economy. Therefore, should you not lift shareholder profits one time and return them to the regular standard of three months' worth of trading? Cash returns could be in the form of either a large-scale share repurchase or a special dividend – either way would be fine.
3. Historically, growth through acquisitions has not been a part of your strategy. Thinking about the growth strategy going forward, the benefits of holding treasury stock are waning. Should you not lower the current upper limit of 5% for treasury stock holdings? Lowering this could raise share prices.

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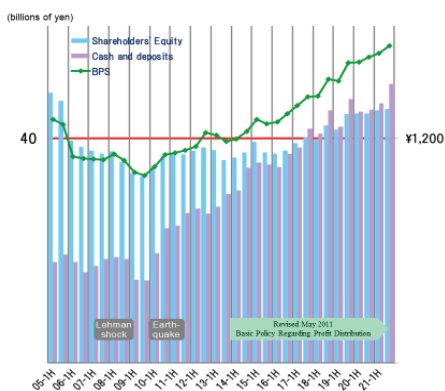
“Ideal State of the Meitec Group”

We, the Meitec Group, with cooperation of all the employees, shall improve the five values continuously from the “Value to Engineers” as a starting point.



Looking ahead, we will focus on the level of ROE-cost of capital + equity spread, while appropriately managing the quality and amount of shareholder equity, utilizing cash and deposits, and sustainable profit growth.

Shareholders’ Equity and Cash and Deposit



- Protecting employment of engineers under economic crisis is essential for sustainable growth for indefinite employment engineer staffing business.
→ Engineers can continue to concentrate on brushing up their own career under assumption of stable employment.
- With consideration of remaining fund, prioritize the “improvement of” quality and quantity” of shareholders’ equity” which would lead to the safeness of finance.

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1. We are carefully managing the “Five Values” in the figure to the left so that they become equidistant over the long term. A bias toward execution of just some of the five values will markedly hinder sustainable growth. This concept, and our commitment to “starting with the value to engineers” and “protecting engineer employment even during economic crises as essential to sustainable growth,” among others, have been understood by many investors after dialogue with them, and they hope that we will continue to value them for a long time. Therefore, we will not prioritize shareholder value only.

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Basic Policy Regarding Profit Distribution



✓ Profit distribution of the New Medium-Term Management Plan follows the established policy based on adequacy of quality and quantity of capital and funds.

Revised Nov. 2018
Revised May-2017
Revised May-2011
Profit distribution policy

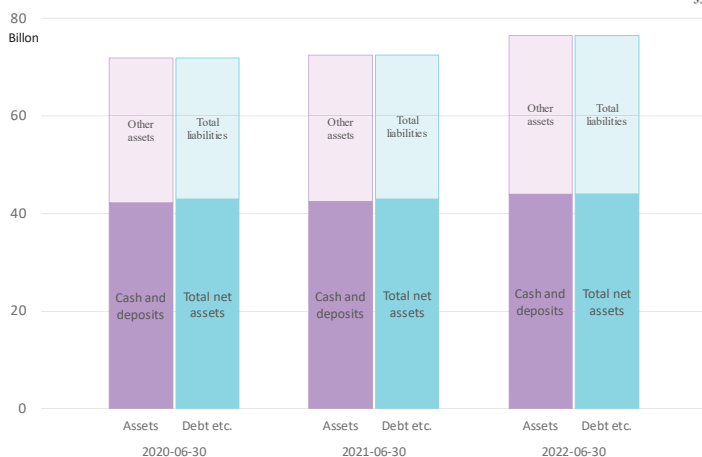
1. Enhance "quality and quantity" of the shareholders' equity
2. Balance of funds exceeds the funds necessary for business operations* (*3 months consolidated net sales)

Total Return Ratio : Basically within 100%

Dividend
Dividend related to performances : Equal or more than 50% of consolidated profit
Minimum Dividend : Consolidated Dividend on Equity ratio (DOE) 5%

Treasury shares acquisition, possession and retirement
Acquire : Carry out as appropriate, taking the total return ratio and dividend payout ratio levels into consideration
Possess : Maximum of 5% of shares issued
Retired : Excess above maxim to be retired by the end of the fiscal year

✓ To realize the flexible financial position, for the implementation of future growth strategies and response to the risk associated in achieving the goals of the management plan, treasury shares will be held by the company.



2. We have also obtained understanding regarding our profit distribution policy from many investors through dialogue. Recognizing this, we do not see a need to revise it.

First, at fiscal year-end, the end of March, performance-linked bonuses, taxes, and dividends are still unpaid, leaving a high cash and deposit balance. Therefore, to understand the actual status, it is more appropriate to compare the end of the first quarter, the end of June, after bonuses and the like have been paid. Please understand that we exercise firm financial discipline.

Next, as shown clearly in our profit distribution policy, our first priority is enhancing the quality and amount of shareholders equity, and the level of cash and deposits is second. Changing this order of priority and focusing only on the balance of cash and deposits to conduct a one-time high-level cash return and changing the policy to a return exceeding cash flow in the middle of rising short-term uncertainty, are both measures that are inappropriate for certain treatments and a marked hindrance to sustainable growth, just as in the answer to 1. above.

Therefore, we will not change the profit distribution policy.

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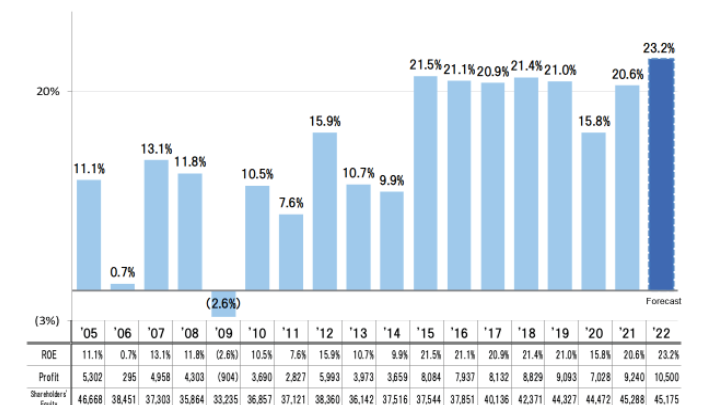
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Trend of ROE



3. Regarding our policy on holding treasury stock, we have not heard any indication in our dialogue with investors that they are strongly concerned about dilution and so forth.

Moreover, a change to a policy of zero holdings would eliminate an option for taking flexible action and could also result in the loss of growth opportunities.

Up until now we have basically cancelled any holdings in excess of the limit most years, and we continue to take a disciplined approach. As this question has indicated, we have not made many acquisitions. However, we do not think it appropriate to target acquisitions as a means of growth or take action to increase shareholder profits only temporarily.

At the present time, we do not see our policy on holding treasury stock as being markedly irrational, and we will therefore leave our policy unchanged.

Develop a New Era by People and Technology

人と技術で次代を拓く

MEITEC

Engineering Firm at The Core