

November 7, 2013

SUMMARY OF THE Q&A SESSION
AT THE IR MEETING ON NOVEMBER 7, 2013
FOR THE 2ND QUARTER ENDED SEPTEMBER 30, 2013

MEITEC CORPORATION

1. Date: November 7, 2013, 14:00-14:50

2. Place: Conference Room at Tokyo Head Office

3. Q&A:

Q. Previously, I understand your mid-career recruitment posed some difficulties. It is now in line with your business plans. Can you explain?

A. In addition to favorable progress in placements, we also believe this is because we recruited mid-career applicants by promoting the idea of a “Lifetime Professional Engineer.” In the temporary engineer staffing industry, Meitec is the only company that has a track record for placing dozens of engineers right up to their retirement age. Thus far, more than 60 engineers have worked until retirement age. About 40% of these engineers had their contracts renewed at the request of the customer, prolonging their employment. In building up this track record, Meitec promotes a work design that offers engineers the potential for stable employment where they can grow.

Q. If your mid-career recruitment matches your plan, what will the impact be on sales in the next fiscal year?

Assuming the current environment remains unchanged, do you plan to employ the same number of recruits in 2015 as you did in 2013 or do you plan to increase hiring?

A. We disclose our performance forecasts for the next fiscal year when we announce our year-end results for FY2013 so I will refrain from commenting at this time.

Q. Can you give us some details of your business plans for Meitec EX?

A. We have just launched this business and concrete business plans are scheduled to be incorporated into our Mid-term Management Plan from next year. However, for the time being, we do not believe Meitec EX will rise to a scale where it will have an impact on our consolidated results.

Q. An improvement in public awareness of indefinite-employment-type temporary staffing would likely spark huge business potential. What are Meitec’s strategies regarding this? Also what issues might arise?

A. Revisions to legislation that are currently under consideration would transform Japan’s labor market. We expect our customers would have more rational and flexible choices with respect to using internal or external human assets. Also, from the perspective of the worker, engineers that join the Company at a young age can hone their skills from an early age, and this will likely lead them to a career in engineering. We believe the revisions currently being proposed are positive for our core business of temporary engineers staffing. Furthermore, as liquidity increases in the entire labor market, it will become necessary to strengthen those functions that match companies with employees. We believe this will also be another opportunity to expand our business.

Q. Your operating income margin is half the level of 10 years ago. Do you aim to secure an operating income margin of 10% or more once you achieve a high utilization ratio?

A. We believe our operating income margin is lower than earlier figures due in part to our utilization ratio and also largely due to our hourly rate.

We maintained our rates despite the harsh business climate after the Lehman Shock. However, there is a gap between the pace at which our personnel costs are rising, owing to the higher quality of our engineers, and the pace at which our rates are rising. It has been difficult to completely narrow this gap. This is the main factor exerting downward pressure on our operating income margin. Nonetheless, we have been gradually improving our rates over the past two years or so.

Q. Is the number of mid-career recruitments higher in the month after bonuses?

A. The number of mid-career recruitments is higher in April and October, as these are optimal times to make a transition from a previous job.

Q. How is the business climate in China? What are your plans?

A. We are continuing with our operations in China for two reasons.

First, we aim to continue to provide new services which respond to our customers' global strategies. Second, to support the global strategies of our customers expanding in overseas markets other than China, we plan to focus on other services we can provide. We are planning to evaluate the feasibility and direction, among other factors, of expansion into overseas markets other than China as part of our Mid-term Management Plan for next year.

Q. Can you explain the impact that tax relief for capital expenditures is likely to have on order trends and on client industries?

Also, will this help to boost hourly rates?

A. Capital investments are not always directly connected to investments in technological development. So we do not have any direct impact at this stage.

However, in the event of full-fledged, brisk capital spending, investments in technological development are likely to increase and there is possibility this will bolster our orders.

As for hourly rates, our negotiations are not linked to supply-demand trends. We only negotiate for higher rates in accordance with improvement in the performance of each engineer.

Q. How would you explain Meitec Fielders' solid utilization ratio, working hours and brisk hiring?

Also, why did you trim the forecast for Meitec's utilization ratio and why was there difficulty placing existing employees?

A. Meitec Fielders' utilization ratio rose faster than Meitec's because Meitec Fielders stepped-up the hiring of new graduates and more swiftly placed (faster rise in utilization ratio), as opposed to Meitec's fairly high level of hiring compared to the total number of engineers assigned (large decline in utilization ratio).

We understand that due to Meitec's focus on placing newly graduated engineers, the assignment of existing employees to positions was slower than we initially planned. The placement of newly graduated engineers however, is complete. In light of this, we plan to pour our energies into placing our existing employees in the second half and aim to achieve our utilization ratio goal without fail.

- Q. Why did the utilization ratio and working hours at Meitec Fielders in the first half outperform your forecast at the start of the fiscal year?
- A. We cannot control the number of working hours. These depend on the requirements of our customers. With respect to the utilization ratio, Meitec Fielders has a large ratio of new graduates to the total number of engineers. Consequently, the utilization ratio was higher than we planned at the start of the fiscal year, as we assigned newly graduated engineers to positions faster than we had planned. In absolute terms, however, the utilization was higher for Meitec in the first half.
- Q. Your forecast shows working hours in the second half declining in comparison with the first half. Given the actual average working hours in the first half, it seems that working hours in the second half would also rise?
- A. Working hours depend on the requirements of our customers. As we are not able to control this, we estimate that working hours are likely to be level with the previous year. However, we cannot deny the possibility that the average number of working hours could rise.
- Q. Do you plan to increase hourly rates and by how much?
- A. Prior to the Lehman Shock, we boosted our rates by an annual 1.8 to 2.0%. Our goal is once again to increase our rates by this amount.

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