May 24, 2022

SUMMARY OF THE Q&A SESSION
AT THE IR MEETING FOR THE FISCAL YEAR ENDED MARCH 31, 2022

MEITEC CORPORATION

1. Date: May 12, 2022, 16:00–16:40
2. Place: Simultaneously at the conference room on the 7th floor of the Tokyo Headquarters and online conference
3. Q&A:

Q. Your plan for the fiscal year ending March 31, 2023 is close to the pre-pandemic level, and it seems the figures are generally higher than those in the past. That said, it seems that the utilization ratio of Meitec Fielders is not expected to recover to the pre-pandemic level. Could you please explain why you believe you can achieve the operating profit margin in the plan despite the expected utilization ratio?

A. Prior to the COVID-19 pandemic, our utilization ratio had remained high at 98% or higher. However, from the perspective of developing engineers' careers, high utilization ratio is not necessarily a good thing. We are facilitating job rotations to develop engineers' careers in line with the market needs, and it is also beneficial for engineers to take training courses and vacations between the end of one contract and the start of another. In addition, new job assignments that require moving take time, and we also have to train new employees (new graduates and mid-career hires). Because these periods are factors that lower the utilization ratio, we have set 95% as a benchmark for some time.
Although Meitec Fielders has not reached a high utilization ratio exceeding 95%, we are working on both fronts of recruiting more actively than before the COVID-19 pandemic and increasing the utilization ratio. We would like to ask for your understanding as we are now in a transition period.
Moreover, achieving the forecast for the fiscal year ending March 31, 2023 will be no easy feat. The forecast announced this time sets an extremely high bar, exceeding our previous growth rates of 2-3 % for Meitec and roughly 10% for Meitec Fielders.
Nonetheless, given "The Transformation" we are working on under the current Mid-term Management Plan and in light of constantly changing market needs, we are committed to further refining and improving our business model and achieving our plans for sustained growth, so that we can ensure the Meitec Group will always be the first choice of our customers and contribute to society through our customers.

Q. Presumably, the improved operating profit margin in your plan for the fiscal year ending March 31, 2023 would be derived from an improvement in the gross profit margin. As a key contributing factor for the improvements, are you expecting to raise the rates? It seems the rates are dropping especially for Meitec Fielders based on the results for the previous year, and I remember hearing that an increase in the number of younger engineers and a slight decrease in the average age of employees are primary factors for the drop.
Could you please explain how you envision an improvement in the gross profit margin despite assuming falling rates and roughly average utilization ratios?

A. First of all, gross profit will increase as we increase our utilization ratios. As for salaries paid to our engineers, we have not changed our previous stance of returning profits commensurate with our business results.
In order to improve the operating profit margin, in addition to increasing gross profit as previously explained, we will curb SG&A expenses with a broad look on the entire operations while enhancing productivity. Through these efforts, Meitec will aim to reach a target operating profit margin of 15%.

END