

MEITEC CORPORATION

Results for the 2nd Quarter of the Fiscal Year Ending March 31, 2020

November 7, 2019

President and CEO, COO

MEITEC Group CEO

Hideyo Kokubun

人と技術で次代を拓く

MEITEC

Engineering Firm at The Core

- 1. Results for the 2nd Quarter of the Fiscal Year Ending March 31, 2020**
- 2. Forecast for the Fiscal Year Ending March 31, 2020**
- 3. Reference Materials**

(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.

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- I will now discuss the results for the second quarter of the fiscal year ending March 31, 2020, and forecasts for the fiscal year ending March 31, 2020.
- Please see the Reference Materials later.

1. Results for the 2nd Quarter of the Fiscal Year Ending March 31, 2020

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Engineering Firm at The Core

- I will begin by discussing results for the second quarter of the fiscal year ending March 31, 2020.

Results for the 2nd Quarter of the Fiscal Year Ending March 31, 2020 (Group Consolidated)

- ✓ Net sales rose 4.1% year on year, operating profit was up 3.0% YoY, and profit attributable to owners of parent increased 2.2% YoY.
- ✓ SG&A expenses rose 9.3% YoY due to increases in hiring costs and system costs.

(Fractions of one million yen are rounded down)	2Q ended Sep. 30, 2018	2Q ended Sep. 30, 2019	YoY Amount	% Change	Initial Forecast for 2Q, announced on May 2019	Progress toward the FY forecast
Net sales	47,621	49,577	+1,955	+4.1%	49,700	(123)
Cost of sales	35,288	36,461	+1,172	+3.3%	36,400	+61
Cost of sales to Net sales	74.1%	73.5%	(0.6%)			
SG&A Expenses	6,505	7,113	+607	+9.3%	7,500	(387)
Operating profit	5,827	6,003	+175	+3.0%	5,800	+203
Operating profit margins	12.2%	12.1%	(0.1%)		11.7%	+0.4%
Ordinary profit	5,830	6,020	+190	+3.3%	5,800	+220
Extraordinary income & loss	9	(2)	(12)			
Profit before income taxes	5,840	6,018	+178	+3.1%		
Profit attributable to owners of parent	3,885	3,970	+85	+2.2%	3,800	+170
Profit margins	8.2%	8.0%	(0.2%)			

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- This shows the Group's consolidated results.
- Earnings were driven by the Engineering Solutions Business, which accounts for 90% or more of consolidated net sales, as a result of continued investment in technological development by major manufacturers, Meitec's main clients.
Net sales rose 4.1% year on year to ¥ 49,577 million, operating profit increased 3.0% year on year to ¥ 6,003 million, and profit attributable to owners of parent increased 2.2% year on year to ¥ 3,970 million.
- Furthermore, net sales and SG&A expenses were lower than expected as Group companies fell below expectations.

Results for the 2nd Quarter of the Fiscal Year Ending March 31, 2020 (Business Domains)

- ✓ The Engineering Solutions Business continued to be the earnings driver ⇒ Net sales rose 4.2% year on year.
- ✓ Both sales and profit declined YoY due to a fall in the number of job placements in the Recruiting & Placement Business for Engineers.

(Fractions of one million yen are rounded down)	2Q ended Sep. 30, 2018	2Q ended Sep. 30, 2019	YoY Amount	% Change
Sales of Engineering Solutions Business	46,792	48,758	+ 1,965	+ 4.2%
Component ratio	98.3%	98.3%	+ 0.1%	
Operating profit	5,535	5,765	+ 230	+ 4.2%
Sales of Recruiting & Placement Business for Engineers	894	867	(27)	(3.1%)
Component ratio	1.9%	1.7%	(0.1%)	
Operating profit	291	237	(54)	(18.7%)

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- The results for each of the Group's business domains are as follows.
- In the Engineering Solutions Business, net sales rose 4.2% year on year, and operating profit was up 4.2% year on year.
- The Recruiting & Placement Business for Engineers unfortunately generated lower sales and profit against a backdrop of a decrease in the number of job placements by Meitec Next.

Results for the 2nd Quarter of the Fiscal Year Ending March 31, 2020 (Meitec)

- ✓ Net sales rose 2.4% year on year, operating profit was up 2.5% YoY, and number of engineers increased 2.9% YoY.
- ✓ The utilization ratio declined 1.1% year on year, due to a greater number of newly graduated engineers and tighter selection of engineers' work at places of employment.

(Fractions of one million yen are rounded down)	2Q ended Sep. 30, 2018	2Q ended Sep. 30, 2019	YoY Amount	% Change	Initial Forecast for 2Q, announced on May 2019	Progress toward the FY forecast
Net sales	36,116	36,976	+860	+2.4%	37,000	(24)
Cost of sales	26,969	27,307	+337	+1.3%	27,300	+7
Cost of sales to Net sales	74.7%	73.8%	(0.9%)		73.8%	—
SG&A Expenses	4,502	4,907	+404	+9.0%	5,100	(193)
Operating profit	4,644	4,762	+118	+2.5%	4,600	+162
Operating profit margins	12.9%	12.9%	—		12.4%	+0.5%
Ordinary profit	5,388	5,661	+272	+5.1%	5,500	+161
Extraordinary income & loss	10	(2)	(12)			
Profit before income taxes	5,398	5,658	+259	+4.8%		
Profit	3,808	3,997	+188	+4.9%	3,800	+197
Utilization ratio (Company-wide)	96.2%	95.1%	(1.1%)		95.2%	(0.1%)
Working Hours<h/day>	8.56	8.52	(0.04)	(0.5%)	8.57	(0.05)
Number of Engineers	7,011	7,214	+203	+2.9%		

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- This shows results for Meitec.
- Net sales increased 2.4% year on year to ¥36,976 million, mainly reflecting growth in the number of engineers assigned to clients and an increase in average pay rate.
Operating profit rose 2.5% year on year to ¥4,762 million and Profit rose 4.9% year on year to ¥3,997 million.
- The utilization ratio declined 1.1 percentage points year on year to 95.1% due to the greater number of newly graduated engineers joining the Company in April 2019 than in the previous fiscal year and tighter selection of engineers' work at places of employment.
- Working hours fell both year on year and compared to the initial forecasts. I will discuss this in more detail later on.

Results for the 2nd Quarter of the Fiscal Year Ending March 31, 2020 (Meitec Fielders)

- ✓ Net sales rose 12.1% year on year, operating profit was up 14.6% YoY, and number of engineers increased 10.6% YoY.
- ✓ The utilization ratio declined 0.8% year on year, due to tighter selection of engineers' work at places of employment and promotion of their work rotation.

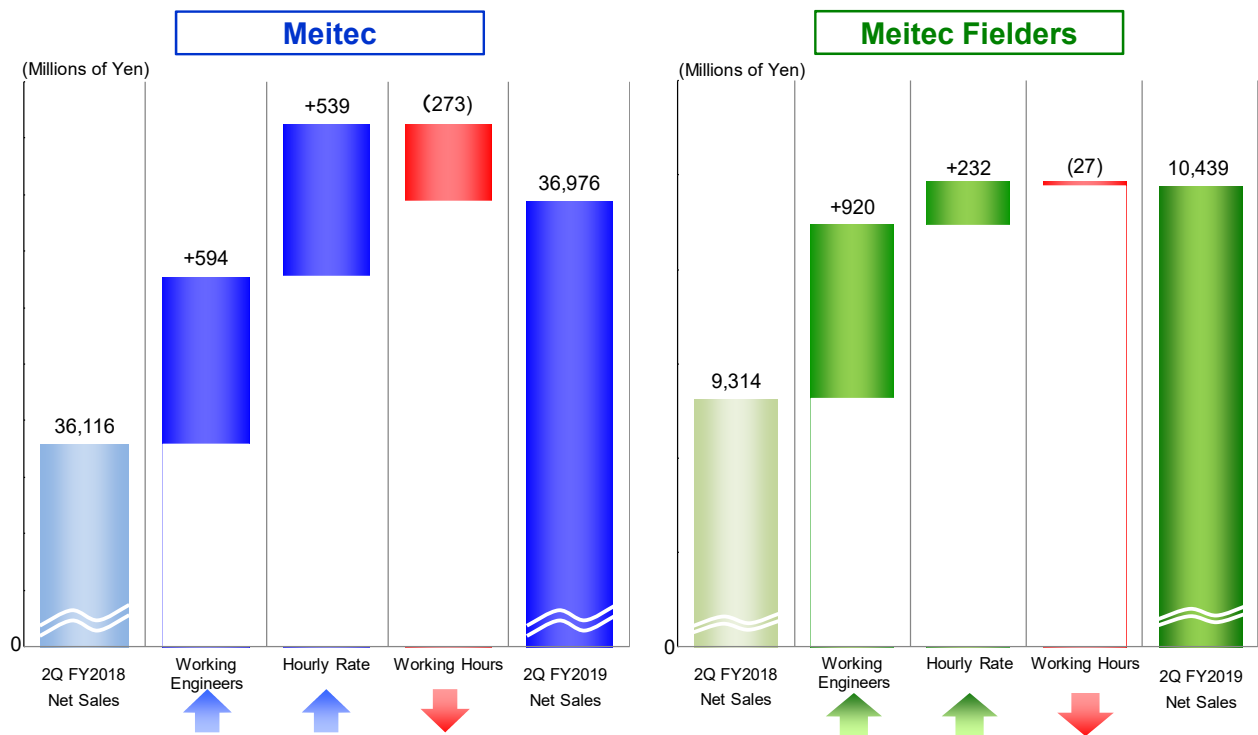
(Fractions of one million yen are rounded down)	2Q ended Sep. 30, 2018	2Q ended Sep. 30, 2019	YoY Amount	% Change	Initial Forecast for 2Q, announced on May 2019	Progress toward the FY forecast
Net sales	9,314	10,439	+1,124	+12.1%	10,200	+239
Cost of sales	7,245	8,095	+849	+11.7%	7,900	+195
Cost of sales to Net sales	77.8%	77.5%	(0.3%)		77.5%	—
SG&A Expenses	1,256	1,413	+156	+12.5%	1,500	(87)
Operating profit	812	930	+118	+14.6%	800	+130
Operating profit margins	8.7%	8.9%	+0.2%		7.8%	+1.1%
Ordinary profit	812	930	+118	+14.5%	800	+130
Extraordinary income & loss	0	0	—			
Profit before income taxes	812	930	+118	+14.6%		
Profit	561	644	+82	+14.6%	560	+84
Utilization ratio (Company-wide)	94.8%	94.0%	(0.8%)		94.1%	(0.1%)
Working Hours<h/day>	8.61	8.59	(0.02)	(0.2%)	8.61	(0.02)
Number of Engineers	2,552	2,822	+270	+10.6%		

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- This shows results for Meitec Fielders.
- Net sales increased 12.1% year on year to ¥10,439 million and operating profit rose 14.6% year on year to ¥930 million, mainly reflecting significant growth in the number of engineers assigned to clients and an increase in average pay rate. Profit increased 14.6% year on year to ¥644 million.
- The utilization ratio declined 0.8 percentage points year on year to 94.0% due to tighter selection of engineers' work at places of employment.
- As with Meitec, working hours fell both year on year and compared to the initial forecasts. I will discuss this in more detail later on.

Comparison of Net Sales

- ✓ For both Meitec and Meitec Fielders, the main factor for the increase in net sales was the “increase in the number of engineers assigned to clients” and “increase in average rate”.

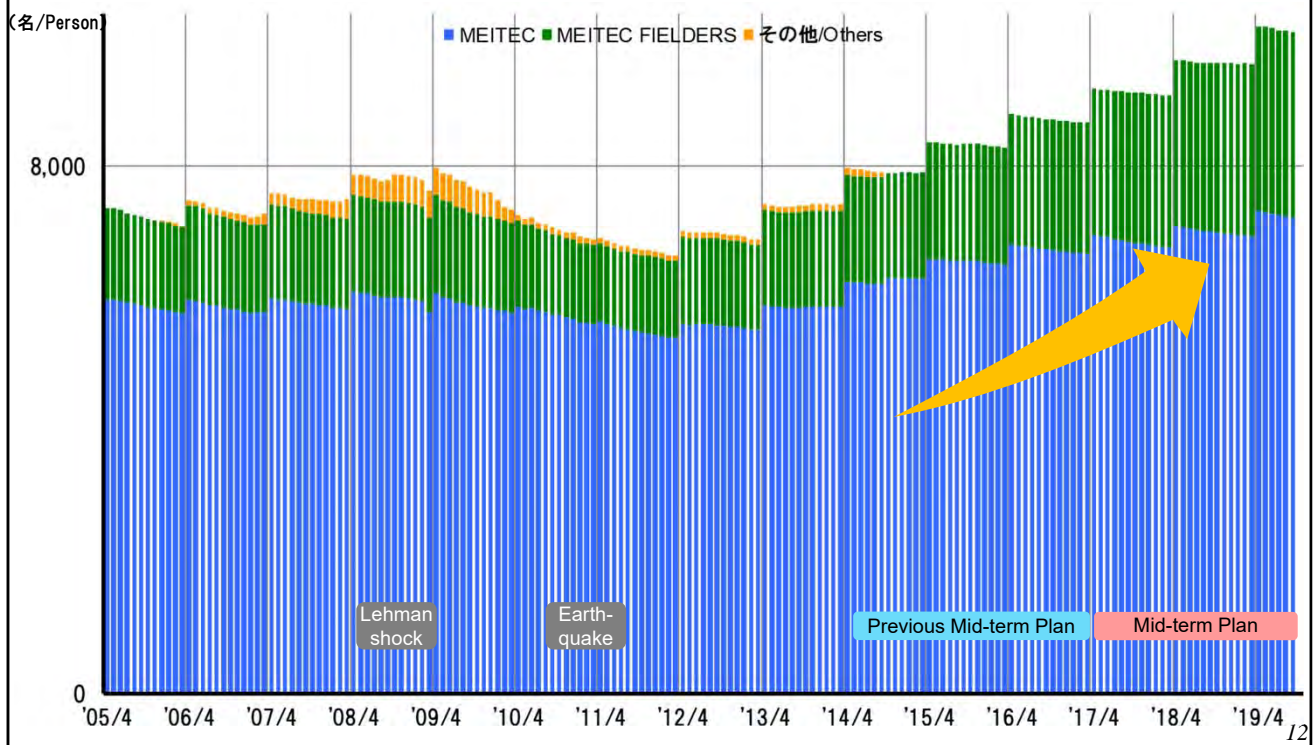


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- This is a breakdown of factors affecting changes in net sales year on year at Meitec and Meitec Fielders.
- The main factors that lifted net sales at both companies were “increase in the number of engineers assigned to clients,” and “increase in average pay rate.”
- Those amounts are shown in the graph. For Meitec, increase in the number of engineers assigned to clients was ¥594 million, and increase in average pay rate was ¥539 million. For Meitec Fielders, increase in the number of engineers assigned to clients was ¥920 million, and increase in average pay rate was ¥232 million.

Number of Engineers (Group Consolidated)

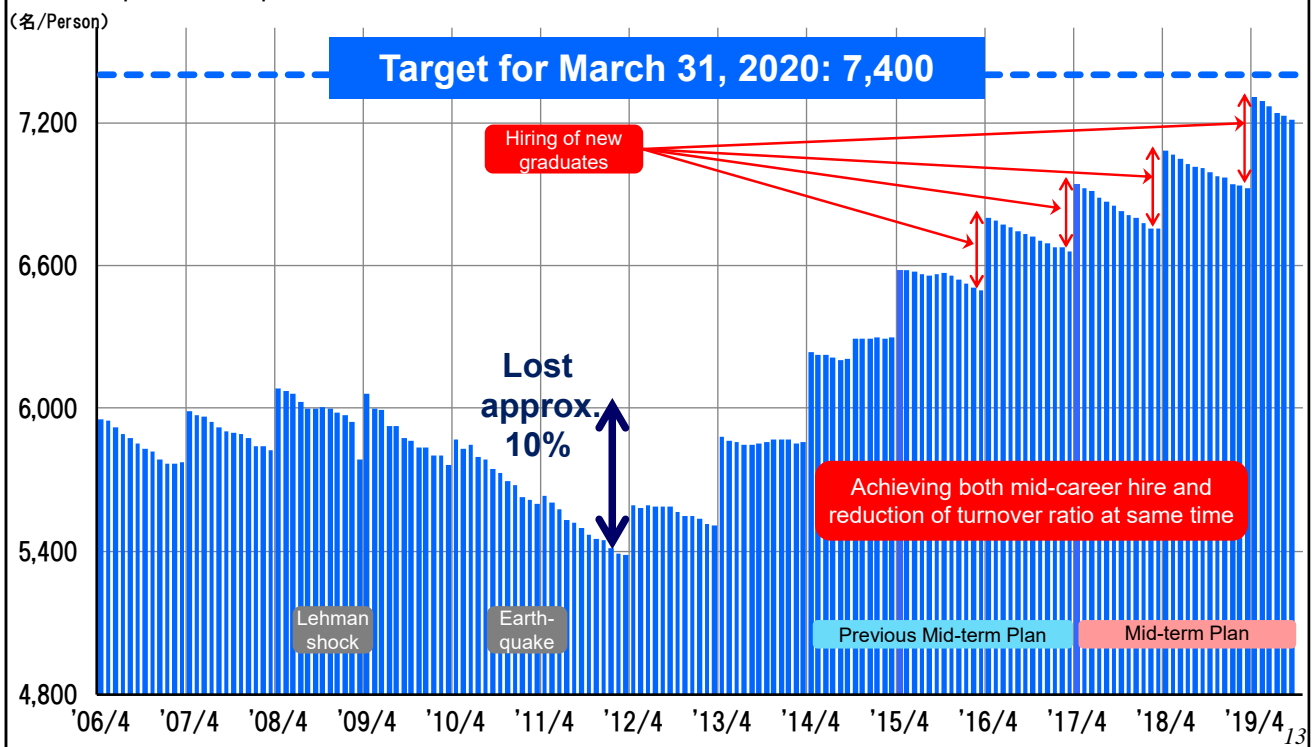
✓ The number of engineers as of September 30, 2019 was 10,036, an increase of 473 engineers, or 4.9%, compared to September 30, 2018.



- This shows the trend in the number of engineers across the Group.
- As of September 30, 2019, the number of engineers was 10,036 with the number exceeding 10,000, increased 473, or 4.9%, compared to September 30, 2018.
- The number of engineers at both Meitec and Meitec Fielders is steadily increasing.

Number of Engineers (Meitec)

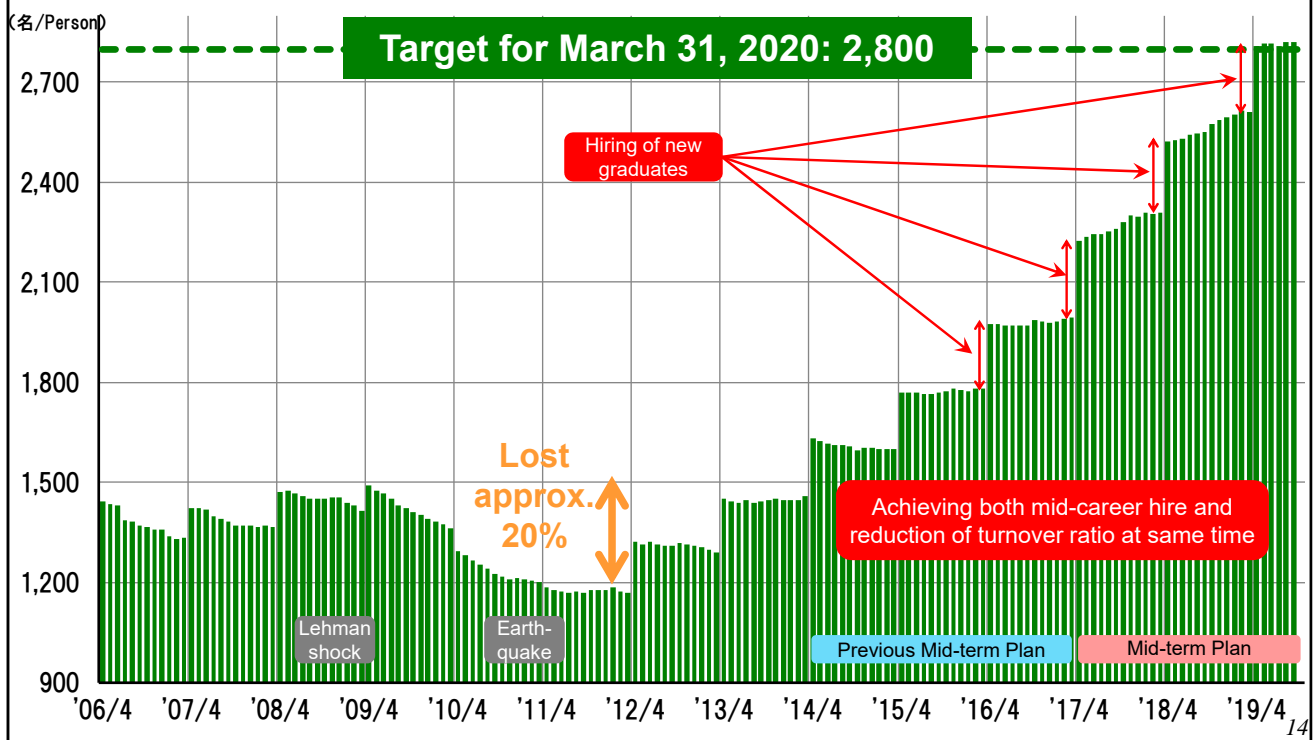
✓ The number of engineers as of September 30, 2019 was 7,214, an increase of 203 engineers, or 2.9%, compared to September 30, 2018.



- This shows the trend in the number of engineers at Meitec.
- As of September 30, 2019, the number of engineers was 7,214, increased 203, or 2.9%, compared to September 30, 2018.
- Another approximately 200 engineers are required to reach the target of 7,400 engineers by March 31, 2020 set forth in the Mid-Term Management Plan which we are currently working on. While the hiring environment remains challenging, we aim to increase the number of engineers at Meitec by various policies, bolstering our ability to acquire applicants and continuing hiring activities that value applicants' preferences.

Number of Engineers (Meitec Fielders)

✓ The number of engineers as of September 30, 2019 was 2,822, an increase of 270 engineers, or 10.6%, compared to September 30, 2018.



- This shows the trend in the number of engineers at Meitec Fielders.
- As of September 30, 2019, the number of engineers was 2,822, increased 270, or 10.6%, compared to September 30, 2018.
- We have exceeded our target of 2,800 engineers by March 31, 2020 set forth in the Mid-Term Management Plan.
- While continuing to balance mid-career hires and reduction of the turnover ratio, we will work to increase the number of engineers.

Hiring Target for the Fiscal Year Ending March 31, 2020

Mid-career (FY 2020/3)

- With no end in sight to corporate demand for hiring engineers among manufacturers and others, the hiring environment remains challenging.
- ✓ We will continue our hiring activities while maintaining our hiring standards.
- ✓ As a result of focusing on forming the preliminary candidate group by having people understand the fact that our business continually generates lifetime professional engineers, we upwardly revised the Group's hiring target as hiring has been progressing satisfactorily for the Group overall.

New Graduates (Joined April 2020)

- Willingness to hire by companies is high and recruitment conditions are challenging.
- ✓ We experienced difficulties in securing new graduates due to their stronger than ever preference to work locally and longer recruitment processes of local manufacturers.
- ✓ As a result of hiring activities maintaining hiring standards while considering the trends of new graduate generation, the number of prospective employees was 403, 17 less than the initial forecast, for Meitec. For Meitec Fielders, it was 225, 15 less than the initial forecast.

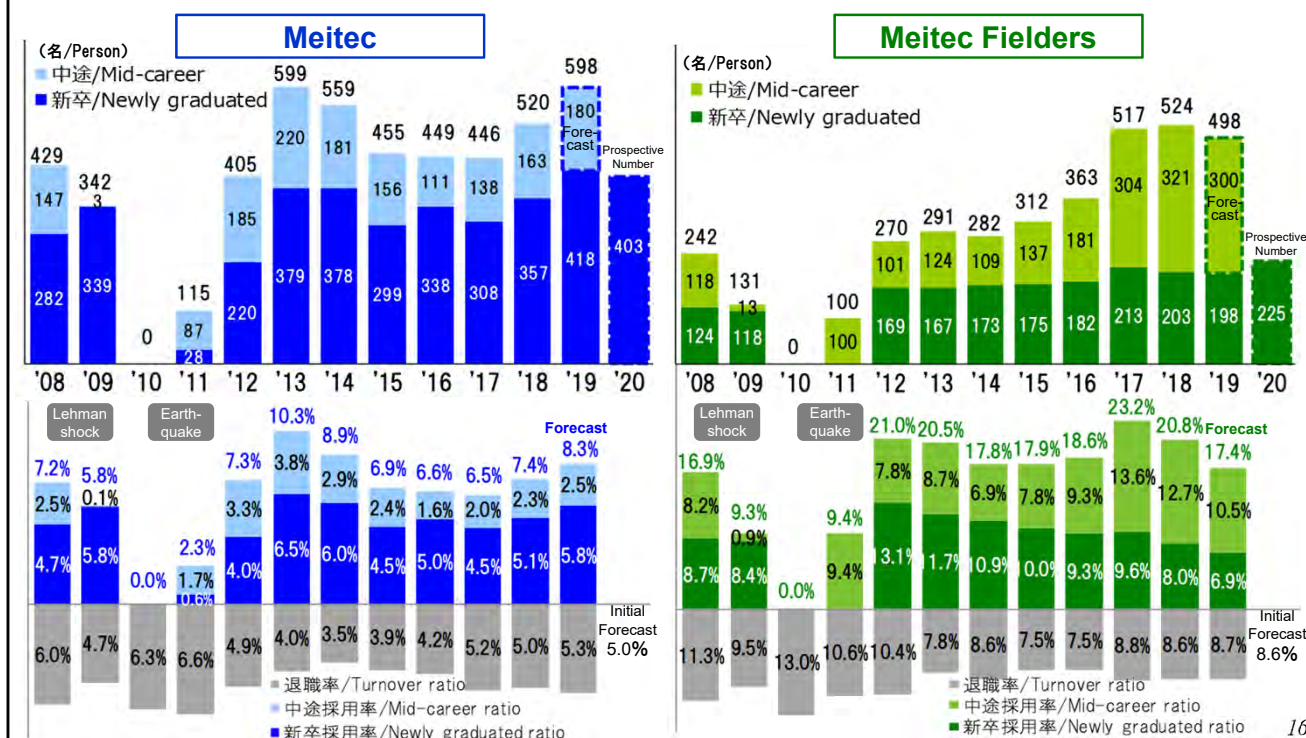
(person)	Fiscal Year Ending March 31, 2020					Fiscal Year Ending March 31, 2021	
	New Graduates April 2019 (Actual)	Mid-career		Total		New Graduates April 2020	
		<Target>	Comparison to Initial Forecast	<Target>	Comparison to Initial Forecast	<Prospective Number as of Oct. 2019>	Comparison to Initial Forecast
Meitec	418	180	+10	598	+10	403	(17)
Meitec Fielders	198	300	+20	498	+20	225	(15)
Total	616	480	+30	1,096	+30	628	(32)
Comparison to previous year	+56	(4)		+52			

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- This shows the recruitment trends for the Group.
- For mid-career hires, there is no end in sight to corporate demand for hiring engineers. The hiring environment remains challenging but we have poured our efforts into hiring activities, while maintaining our hiring standards focusing on quality.
- In the first half, just as in the past, we promoted understanding of a business model in which we continue to create a workstyle of lifelong professionals. By focusing on the creation of a broad candidate group, we made steady Group-wide progress, leading us to upwardly revise our annual hiring targets.
- This shows the state of newly graduated engineers who will join the Group in April 2020.
We experienced difficulties in securing new graduates due to their stronger than ever preference to work locally and longer recruitment processes of local manufacturers. As a result of activities maintaining hiring standards while considering the preferences of new graduate generation, as of October 1, the Group overall made offers to 628 candidates.
- According to newspaper reports, the number of recruitment placed the Meitec Group in 23rd for hiring, which includes liberal arts, and 4th specifically for science and engineering hiring among Japanese companies.
We believe our efforts to promote Meitec as a place where people can build life-long careers as professional engineers are gaining some traction and understanding in the labor market.
- We will continue to further strengthen the Meitec Group's hiring brand while publically promoting a style of career that emphasizes the engineering profession.

Recruitment and Turnover

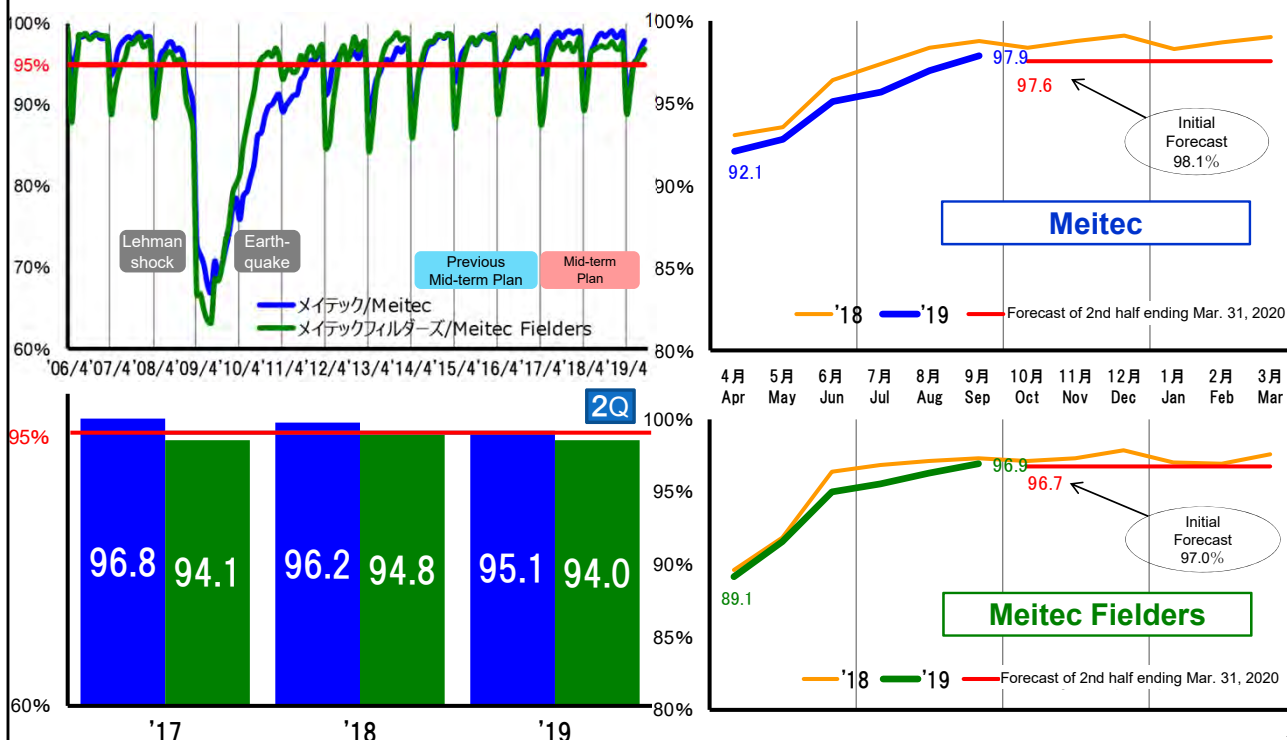
✓ Our forecasts for the number of recruitment and the turnover ratio as of the release of 2Q results are as follows. ※We plan to announce the actual recruitment and turnover ratios in May 2020.



- This shows our forecasts for the number of recruitment and the turnover ratio as of the release of 2Q results.
- In light of first half results, we have revised the turnover ratios from the initial forecast from 5.0% to 5.3% for Meitec and from 8.6% to 8.7% for Meitec Fielders.

Utilization Ratio

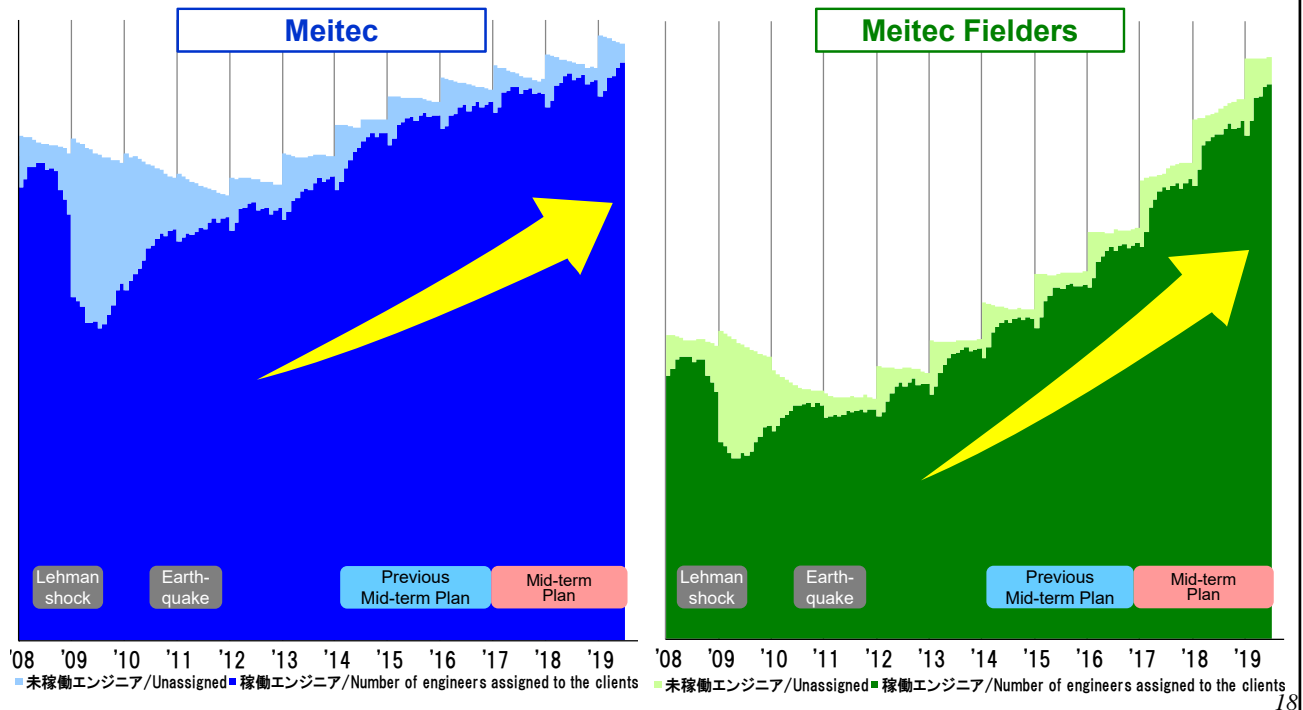
✓ Under a firm environment for order, the utilization ratio remained high.



- This shows the trend in utilization ratios.
- Amid a firm order environment, the utilization ratio for both Meitec and Meitec Fielders was stable due to tighter selection of engineers' work.
- Furthermore, the single-month utilization ratio for April started at a lower figure than the previous year, as there were around 60 more newly graduated engineers at Meitec than the previous year.
- The utilization ratio for Meitec Fielders also started at a slightly lower figure than the previous year due to tighter selection of engineers' work at places of employment.

Number of Engineers Assigned to the Clients (Key factor of Sales)

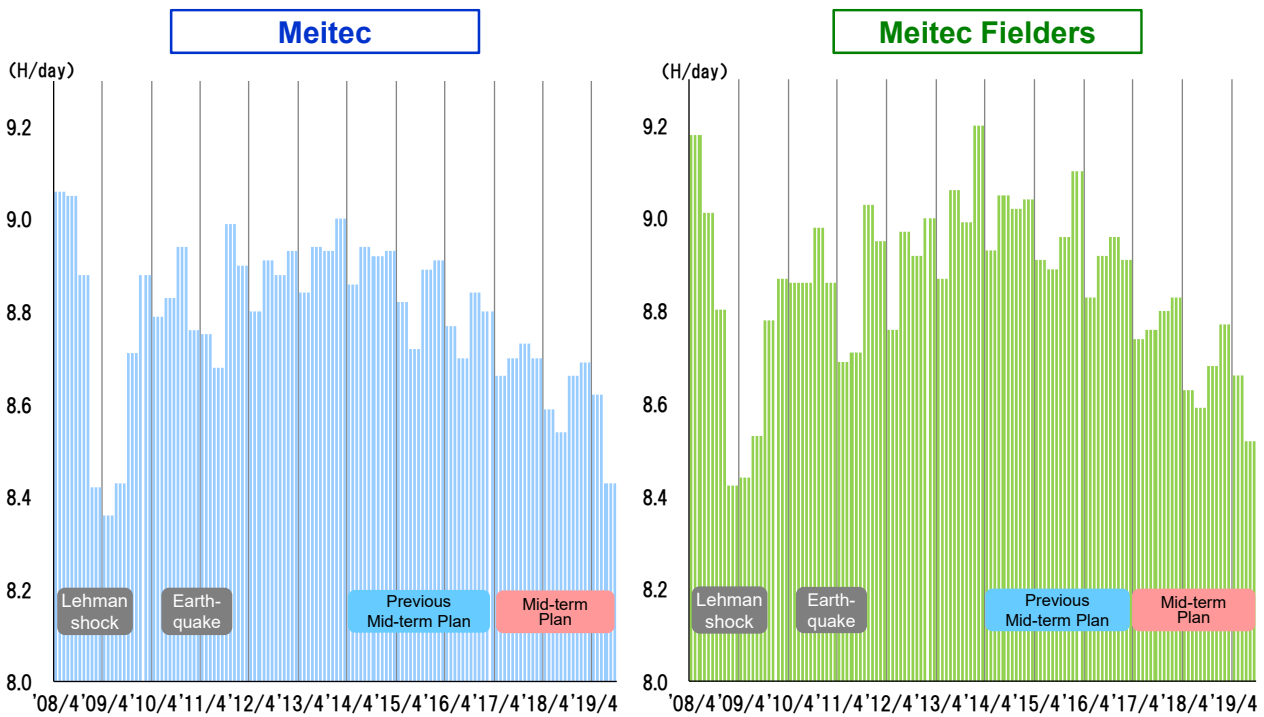
- ✓ The number of engineers assigned to clients has steadily risen due to the combination of an “increase in the number of engineer” by aggressive recruitment and the “maintenance of high utilization ratio” by obtaining orders and early assignment.



- This shows the trend in number of engineers assigned to clients.
- The number of engineers assigned to clients at both Meitec and Meitec Fielders has risen steadily due to both an “increase in the number of engineers” and the “maintenance of a high utilization ratio” through obtaining orders and promoting activities to conclude contracts.

Working Hours

✓ Working hours declined year on year due to reductions in overtime hours.

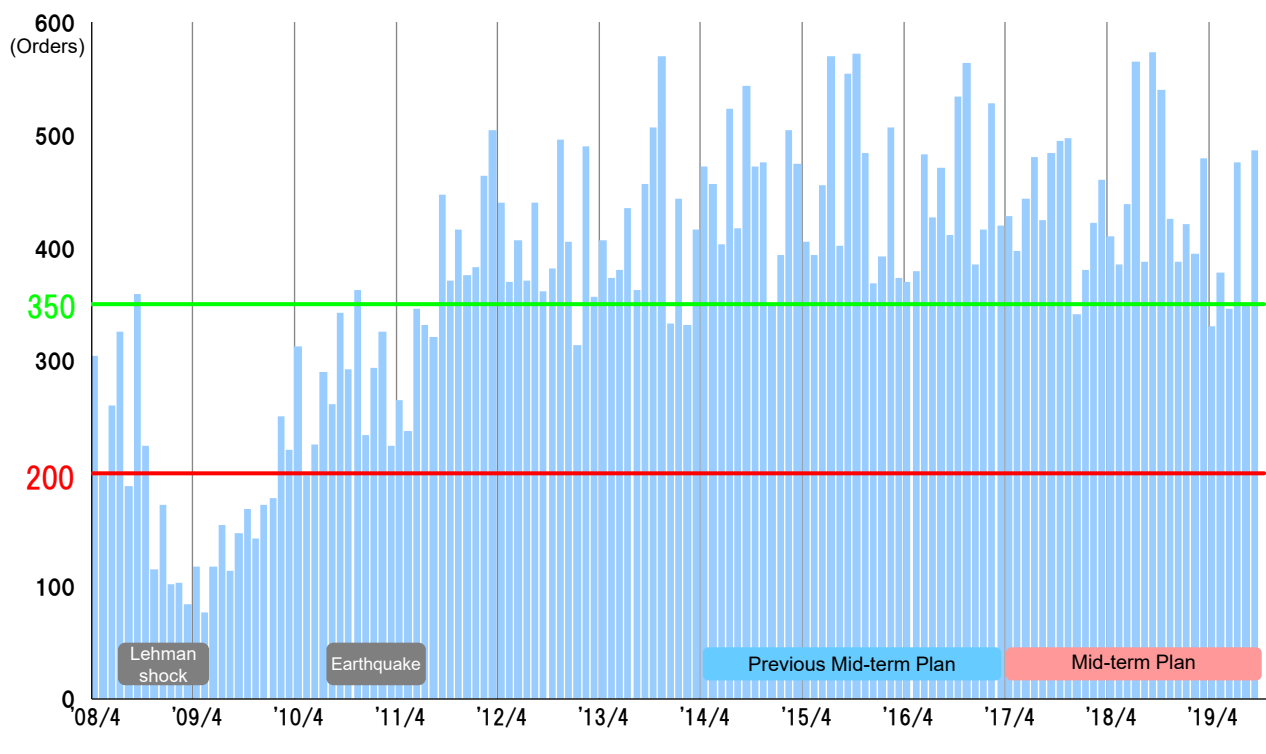


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- This shows the trend in working hours.
- The decline in overtime hours continued from the previous year. The number of working hours is determined by our clients, and is not something we can control. As a fluctuation in working hours of 0.1 hours equates to a fluctuation of 1% of total net sales, this is one indicator that has a significant impact on earnings, and accordingly it is one on which we will continue to focus attention.

Trend in New Orders by Month (Meitec)

✓ New orders at Meitec remain at a level above 350 orders per month.



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- This shows the trend in new monthly orders.
- The number of monthly new orders is firm when it exceeds 350 orders and we are at risk when the number falls below 200.
- Recently, as a result of clients in the manufacturing industry investing in technological development based on a long-term outlook, we have recognized a clear trend of new orders.

Top 10 Clients by Sales (Meitec)

- ✓ Due to confidentiality reasons we refrain from disclosing matters and specific figures related to clients (individual companies)

(Millions of yen)

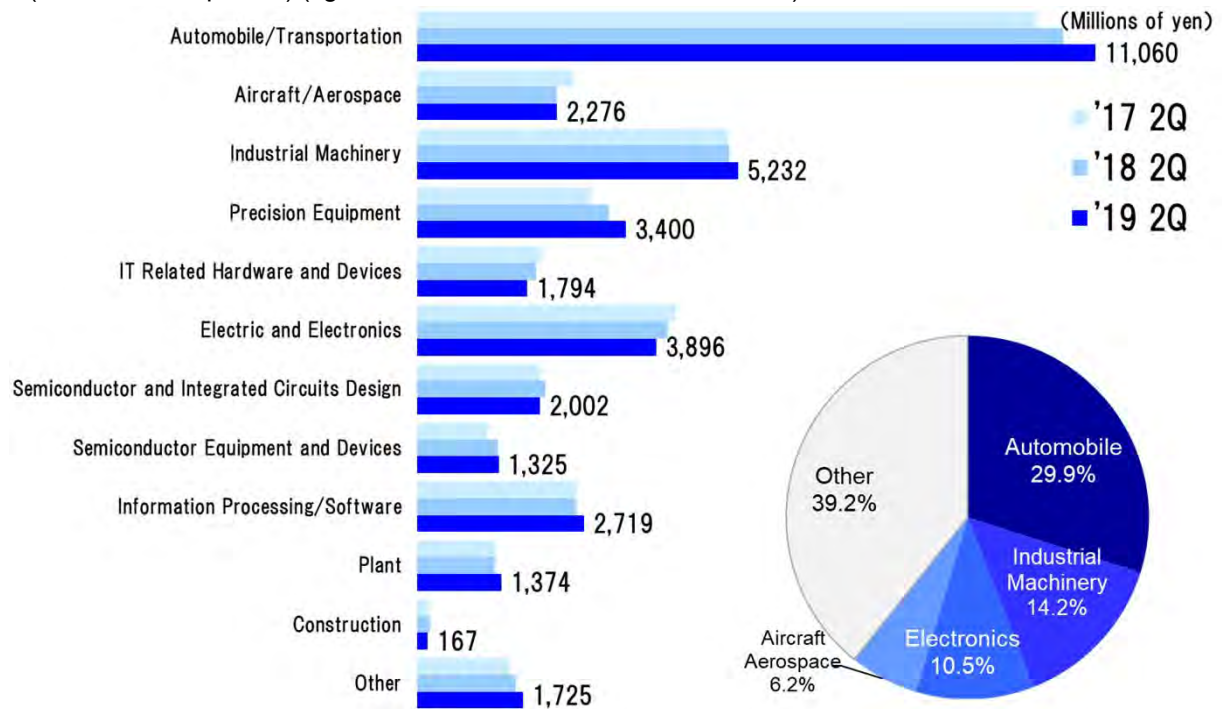
2nd Q FY2014			2nd Q FY2018			2nd Q FY2019		
1	Mitsubishi Heavy Industries		1	Denso		1	Mitsubishi Heavy Industries	
2	Canon		2	Mitsubishi Heavy Industries		2	Denso	
3	Denso		3	Panasonic		3	Sony Semiconductor Solutions	
4	Panasonic		4	Sony Semiconductor Solutions		4	Panasonic	
5	Nikon		5	Canon		5	Toyota Motor	
6	Kawasaki Heavy Industries		6	Toyota Motor		6	Nikon	
7	Toyota Motor		7	Nikon		7	Canon	
8	Omron		8	Honda R&D		8	Denso Ten	
9	Toshiba		9	Olympus		9	Nippon Steel	
10	Sony		10	Omron		10	Olympus	
Top 10 Total	7,986	26.0%	Top 10 Total	8,584	23.8%	Top 10 Total	8,649	23.4%
Top 20 Total	11,209	36.5%	Top 20 Total	12,324	34.1%	Top 20 Total	12,740	34.5%
Others	19,472	63.5%	Others	23,792	65.9%	Others	24,236	65.5%
Total	30,681	100.0%	Total	36,116	100.0%	Total	36,976	100.0%

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- This shows Meitec's top 10 clients by sales.
- There have been no major changes in the order.
- We continue to intentionally rotate engineers on the Meitec side to growth sectors, fields, and new technological areas based on the new projects and new development themes of our clients. In doing so, we are continuously working on initiatives to increase both the skills of our engineers and the added value for our clients.
- Offering a wide range of services without depending on certain clients is one of the strengths of Meitec. We will continue to enhance going forward.

Sales by the Industrial Segments (Meitec)

- ✓ Due to confidentiality reasons we refrain from disclosing the breakdown and outlook for specific clients (individual companies) (figures are stated in Reference Materials)



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- This shows sales trends by industrial segment.
- The automobile/transportation segment continues to make up a high percentage of sales.
We conduct business with clients in a wide range of fields and industries, which allows us to intentionally shift engineers to other sectors or fields if sales are sluggish in a specific field or industry.
- This is one of Meitec's strengths, and we will continue to closely catch both these needs and market trends as we conduct business going forward.
- This concludes my discussion of the results for the second quarter of the fiscal year ending March 31, 2020.

2. Forecast for the Fiscal Year Ending March 31, 2020

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- In light of recent trends, we have revised our forecasts for the fiscal year ending March 31, 2020. I will now discuss a summary of our forecasts.

(Billion Yen)		FY2017	FY2018	FY2019	Mid-term Management Plan
		Actual	Actual	Forecast	Target
Group Consolidated	Net Sales	93.6	97.7	101.8	100.0
	Operating Profit	11.5	12.6	12.9	13.0
	Margin	12.2%	12.9%	12.7%	13.0%
	Profit	8.1	8.8	8.8	9.0
	ROE	20.9%	21.4%	20.4%	20.0%
Meitec	Net Sales	72.3	74.0	75.5	78.0
	Operating Profit	9.3	10.2	10.3	10.0
	Margin	12.9%	13.7%	13.6%	13.0%
Meitec Fielders	Net Sales	17.0	19.3	21.5	20.0
	Operating Profit	1.5	1.7	1.8	1.7
	Margin	8.6%	9.0%	8.4%	9.0%

- Firstly, this period represents the results and forecasts for the final fiscal year of the current Mid-Term Management Plan.
- While results are progressing mostly in line with initial forecast, we are aware that some issues remain with operating profit.
- I will touch on the details and assumptions behind the forecast for the current fiscal year.

Forecasts for the Fiscal Year Ending March 31, 2020 (Group Consolidated) Comparison to the Initial Forecasts at the beginning of the Fiscal Year

- ✓ Net sales: We have dropped our full-year forecast by 0.2 billion yen, comprising a downward revision of 0.1 billion yen for 1H and a downward revision of 0.1 billion yen for 2H.
- ✓ Operating profit: We have raised our full-year forecast by 0.1 billion yen, comprising an upward revision of 0.2 billion yen for 1H and an downward revision of 0.1 billion yen for 2H.
SG&A Expenses: We have dropped our full-year forecast by 0.5 billion yen, comprising an downward revision of 0.4 billion yen for 1H and an downward revision of 0.1 billion yen for 2H.
- ✓ Profit attributable to owners of parent: We have raised our full-year forecast by 0.1 billion yen, comprising an upward revision of 0.17 billion yen for 1H and a downward revision of 0.07 billion yen for 2H.

(Fractions of one million yen are rounded down)	Forecast FY ending March 31, 2020	Comparison to Initial Forecast	% Change	2Q ended	Forecast	Comparison to Initial Forecast	% Change
				Sept. 30, 2019	2nd Half		
Net sales	101,800	(200)	(0.2%)	49,577	52,222	(77)	(0.1%)
Cost of sales	74,200	+200	+0.3%	36,461	37,738	+138	+0.4%
SG&A Expenses	14,700	(500)	(3.3%)	7,113	7,586	(113)	(1.5%)
Operating profit	12,900	+100	+0.8%	6,003	6,896	(103)	(1.5%)
Operating profit margins	12.7%	+0.2%		12.1%	13.2%	(0.2%)	
Ordinary profit	12,900	+100	+0.8%	6,020	6,879	(120)	(1.7%)
Profit attributable to owners of parent	8,800	+100	+1.1%	3,970	4,829	(70)	(1.4%)
Earnings per Share	318.83	+7.06		142.91			

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- This shows a comparison between our new consolidated forecasts for the fiscal year ending March 31, 2020 and our initial forecasts.
- We have dropped our full-year forecast for consolidated net sales by ¥0.2 billion to ¥101.8 billion. We have raised our full-year forecast for operating profit by ¥0.1 billion to ¥12.9 billion. This is due to an expected reduction in SG&A expenses.
- We have raised our full-year forecast for profit attributable to owners of parent by ¥0.1 billion to ¥8.8 billion.

Forecasts for the Fiscal Year Ending March 31, 2020 (Group Consolidated) Comparison to the Previous Fiscal Year

- ✓ Net sales is expected to rise 4.2% year on year to 101.8 billion yen, while operating profit is expected to increase 2.1% year on year to 12.9 billion yen.
- ✓ Profit is expected to fall 0.3% year on year to 8.8 billion yen.
⇒ Due to not projecting a reduction in the tax burden that occurred in the previous year.

(Fractions of one million yen are rounded down)	Forecast FY ending March 31, 2020	YoY Amount	% Change	2Q ended Sept. 30, 2019	Forecast 2nd Half	YoY Amount	% Change
Net sales	101,800	+4,063	+4.2%	49,577	52,222	+2,107	+4.2%
Cost of sales	74,200	+2,498	+3.5%	36,461	37,738	+1,326	+3.6%
SG&A Expenses	14,700	+1,300	+9.7%	7,113	7,586	+692	+10.0%
Operating profit	12,900	+264	+2.1%	6,003	6,896	+88	+1.3%
Operating profit margins	12.7%	(0.2%)	/	12.1%	13.2%	(0.4%)	/
Ordinary profit	12,900	+256	+2.0%	6,020	6,879	+65	+1.0%
Profit attributable to owners of parent	8,800	(29)	(0.3%)	3,970	4,829	(114)	(2.3%)
Earnings per Share	318.83	+32.19	/	142.91			

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- Next, we have a comparison between our new forecasts and performance in the previous fiscal year.
Net sales is expected to rise 4.2% year on year or ¥4.0 billion, and operating profit is expected to rise 2.1% year on year or ¥264 million.
- Because the reduction in the tax burden that occurred in the previous fiscal year are not projected, profit attributable to owners of parent is expected to fall slightly by 0.3% year on year or ¥0.03 billion.

Forecasts for the Fiscal Year Ending March 31, 2020 (Meitec) Comparison to the Initial Forecasts at the beginning of the Fiscal Year

- ✓ In line with an expected decrease in the utilization ratio and working hours, we have lowered our full-year forecast for net sales by 0.5 billion yen.
- ✓ Due to an expected drop of our full-year forecast for SG&A expenses by 0.2 billion yen, our full-year forecast for operating profit remains unchanged.

(Fractions of one million yen are rounded down)	Forecast FY ending March 31, 2020	Comparison to Initial Forecast	% Change	2Q ended Sept. 30, 2019	Forecast 2nd Half	Comparison to Initial Forecast	% Change
Net sales	75,500	(500)	(0.7%)	36,976	38,523	(476)	(1.2%)
Cost of sales	55,200	(300)	(0.5%)	27,307	27,892	(307)	(1.1%)
Cost of sales to Net sales	73.1%	+0.1%		73.8%	72.4%	+0.1%	
SG&A Expenses	10,000	(200)	(2.0%)	4,907	5,092	(7)	(0.1%)
Operating profit	10,300	—	—	4,762	5,537	(162)	(2.8%)
Operating profit margins	13.6%	—		12.9%	14.4%	(0.2%)	
Ordinary profit	11,200	—	—	5,661	5,538	(161)	(2.8%)
Profit	7,900	—	—	3,997	3,902	(197)	(4.8%)
Utilization ratio (Company-wide)	96.4%	(0.3%)	Comparison to Initial Forecast (0.1%)	95.1%	97.6%	(0.5%)	
Working Hours<h/day>	8.60	(0.02)		8.52	8.68	—	
Number of Recruitment	598	+10		Expected New Graduates for April 2020		Comparison to Initial Forecast	
Newly graduated	418	—		403		(17)	
Mid-career	180	+10					
Turnover Ratio	5.3%	+0.3%					

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- This shows a comparison between our new forecasts and our initial forecasts for Meitec.
- In line with expected decreases in utilization ratio and working hours, we have lowered our full-year forecast for net sales by ¥0.5 billion from the initial forecast to ¥75.5 billion.
- In line with expected decreases in SG&A expenses that could not be spent in the first half, we have left our forecast for operating profit unchanged from our initial forecast.
- We have also left our forecast for profit unchanged from our initial forecast.

Forecasts for the Fiscal Year Ending March 31, 2020 (Meitec) Comparison to the Previous Fiscal Year

- ✓ Net sales is expected to rise 2.0% year on year to 75.5 billion yen, while operating profit is expected to increase 1.4% year on year to 10.3 billion yen.
- ✓ The increase in SG&A expenses reflects higher hiring costs and system costs initially planned.

(Fractions of one million yen are rounded down)	Forecast FY ending March 31, 2020	YoY Amount	% Change	2Q ended Sept. 30, 2019	Forecast 2nd Half	YoY Amount	% Change
Net sales	75,500	+1,463	+2.0%	36,976	38,523	+602	+1.6%
Cost of sales	55,200	+579	+1.1%	27,307	27,892	+242	+0.9%
Cost of sales to Net sales	73.1%	(0.7%)		73.8%	72.4%	(0.5%)	
SG&A Expenses	10,000	+741	+8.0%	4,907	5,092	+336	+7.1%
Operating profit	10,300	+142	+1.4%	4,762	5,537	+23	+0.4%
Operating profit margins	13.6%	(0.1%)		12.9%	14.4%	(0.1%)	
Ordinary profit	11,200	+278	+2.6%	5,661	5,538	+6	+0.1%
Profit	7,900	+131	+1.7%	3,997	3,902	(57)	(1.4%)
Utilization ratio (Company-wide)	96.4%	(1.1%)		95.1%	97.6%	(1.1%)	
Working Hours (h/day)	8.60	(0.02)		8.52	8.68	—	
Number of Recruitment	598	+78					
Newly graduated	418	+61					
Mid-career	180	+17					
Turnover Ratio	5.3%	+0.3%					
				Expected New Graduates for April 2020		To Apr. 2019	
				403		(15)	

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- Next, we have a comparison between our new forecasts and performance in the previous fiscal year.
- Net sales is expected to rise 2.0% year on year by ¥1.46 billion, while operating profit is expected to increase 1.4% year on year by ¥0.14 billion and profit is expected to rise 1.7% year on year by ¥0.13 billion.
- This mainly reflects the absence of the reduction in the tax burden that occurred in the previous fiscal year in the current fiscal year.

Forecasts for the Fiscal Year Ending March 31, 2020 (Meitec Fielders) Comparison to the Initial Forecasts at the beginning of the Fiscal Year

- ✓ We have raised our full-year forecast for net sales by 0.5 billion yen, comprising an upward revision of 0.24 billion yen for 1H and an upward revision of 0.26 billion yen for 2H.
- ✓ We have raised our full-year forecast for operating profit by 0.1 billion yen ⇒ We have dropped our full-year forecast for SG&A expenses by 0.1 billion yen.

(Fractions of one million yen are rounded down)	Forecast FY ending March 31, 2020	Comparison to Initial Forecast	% Change	2Q ended Sept. 30, 2019	Forecast 2nd Half	Comparison to Initial Forecast	% Change
Net sales	21,500	+ 500	+ 2.4%	10,439	11,060	+ 260	+ 2.4%
Cost of sales	16,600	+ 500	+ 3.1%	8,095	8,504	+ 304	+ 3.7%
Cost of sales to Net sales	77.2%	+ 0.5%		77.5%	76.9%	+ 1.0%	
SG&A Expenses	3,100	(100)	(3.1%)	1,413	1,686	(13)	(0.8%)
Operating profit	1,800	+ 100	+ 5.9%	930	869	(30)	(3.4%)
Operating profit margins	8.4%	+ 0.3%		8.9%	7.9%	(0.4%)	
Ordinary profit	1,800	+ 100	+ 5.9%	930	869	(30)	(3.4%)
Profit	1,300	+ 100	+ 8.3%	644	655	+ 15	+ 2.5%
Utilization ratio (Company-wide)	95.4%	(0.2%)	Comparison to Initial Forecast (0.1%)	94.0%	96.7%	(0.3%)	
Working Hours〈h/day〉	8.66	(0.01)		8.59	8.72	—	
Number of Recruitment	498	+ 20		Expected New Graduates for April 2020		Comparison to Initial Forecast	
Newly graduated	198	—		225		(15)	
Mid-career	300	+ 20					
Turnover Ratio	8.7%	+ 0.1%					

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- This shows a comparison between our new forecasts and our initial forecasts for Meitec Fielders.
- As results for the first half exceeded our initial forecast, we have raised our full-year forecast for net sales by ¥0.5 billion to ¥21.5 billion and raised our full-year forecast for operating profit by ¥0.1 billion to ¥1.8 billion.
- As we expect an increase in the number of engineers assigned to clients and an increase in the average pay rate to cover an expected decrease in the utilization ratio, we have raised our forecast for net sales for the second half by ¥0.26 billion.

Forecasts for the Fiscal Year Ending March 31, 2020 (Meitec Fielders) Comparison to the Previous Fiscal Year

- ✓ Net sales is expected to rise 11.2% year on year to 21.5 billion yen, while operating profit is expected to increase 3.8% year on year to 1.8 billion yen.
- ✓ The increase in SG&A expenses reflects higher hiring costs initially planned.

(Fractions of one million yen are rounded down)	Forecast FY ending March 31, 2020	YoY Amount	% Change	2Q ended Sept. 30, 2019	Forecast 2nd Half	YoY Amount	% Change
Net sales	21,500	+2,163	+11.2%	10,439	11,060	+1,038	+10.4%
Cost of sales	16,600	+1,658	+11.1%	8,095	8,504	+808	+10.5%
Cost of sales to Net sales	77.2%	(0.1%)	/	77.5%	76.9%	+0.1%	/
SG&A Expenses	3,100	+439	+16.5%	1,413	1,686	+282	+20.2%
Operating profit	1,800	+65	+3.8%	930	869	(52)	(5.7%)
Operating profit margins	8.4%	(0.6%)	/	8.9%	7.9%	(1.3%)	/
Ordinary profit	1,800	+64	+3.7%	930	869	(53)	(5.8%)
Profit	1,300	+8	+0.7%	644	655	(73)	(10.1%)
Utilization ratio (Company-wide)	95.4%	(0.7%)		94.0%	96.7%	(0.6%)	
Working Hours〈h/day〉	8.66	(0.01)		8.59	8.72	—	
Number of Recruitment	498	(26)					
Newly graduated	198	(5)					
Mid-career	300	(21)					
Turnover Ratio	8.7%	+0.1%					
				Expected New Graduates for April 2020		To Apr. 2019	
				225		+27	

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- This shows a comparison between our new forecasts and our performance in the previous fiscal year.
- Net sales is expected to rise 11.2% year on year or ¥2.16 billion to ¥21.5 billion. Operating profit is expected to increase 3.8% year on year or ¥0.06 billion to ¥1.8 billion.
- SG&A expenses are expected to rise 16.5% year on year, but this is because of higher hiring costs from the standpoint of hiring investment in the Mid-range Zone.
- We forecast profit of ¥1.3 billion, mostly unchanged from our initial forecast.

Next Stage 1 Towards the Next Mid-term Management Plan

Engineering Solutions Business						
Dispatch type	High-end Zone	<table border="1"> <tr> <td> <ol style="list-style-type: none"> 1. Strategy for High-end market expansion 2. Strategy for market value improvement 3. Strengthen common ground </td> <td> <ul style="list-style-type: none"> ✓ Expand markets by promoting orders and assignments to clients for high value-added skills and jobs ✓ Market value (=average rate) increases by enhancing appeal based on output </td> </tr> <tr> <td> <ol style="list-style-type: none"> 1. Strategy for technological value improvement 2. Improve technical solution capability 3. Strengthen organizational structure </td> <td> <ul style="list-style-type: none"> ✓ Promote approaches toward key technical domains of competitive superiority ✓ Strengthen proposal-based sales activities and develop operational structure to improve quality </td> </tr> </table>	<ol style="list-style-type: none"> 1. Strategy for High-end market expansion 2. Strategy for market value improvement 3. Strengthen common ground 	<ul style="list-style-type: none"> ✓ Expand markets by promoting orders and assignments to clients for high value-added skills and jobs ✓ Market value (=average rate) increases by enhancing appeal based on output 	<ol style="list-style-type: none"> 1. Strategy for technological value improvement 2. Improve technical solution capability 3. Strengthen organizational structure 	<ul style="list-style-type: none"> ✓ Promote approaches toward key technical domains of competitive superiority ✓ Strengthen proposal-based sales activities and develop operational structure to improve quality
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<ol style="list-style-type: none"> 1. Strategy for technological value improvement 2. Improve technical solution capability 3. Strengthen organizational structure 	<ul style="list-style-type: none"> ✓ Promote approaches toward key technical domains of competitive superiority ✓ Strengthen proposal-based sales activities and develop operational structure to improve quality 					
Contracting type						
Dispatch type	Mid-range Zone	<table border="1"> <tr> <td> <ol style="list-style-type: none"> 1. Strategy for existing market expansion 2. Strategy for new market development 3. Strategy for strengthening business operation system </td> <td> <ul style="list-style-type: none"> ✓ Expand existing markets by promoting increases in the numbers of recruitment, orders and assignments to clients ✓ Create new markets by promoting orders and assignments to clients in particular technology fields </td> </tr> </table>	<ol style="list-style-type: none"> 1. Strategy for existing market expansion 2. Strategy for new market development 3. Strategy for strengthening business operation system 	<ul style="list-style-type: none"> ✓ Expand existing markets by promoting increases in the numbers of recruitment, orders and assignments to clients ✓ Create new markets by promoting orders and assignments to clients in particular technology fields 		
<ol style="list-style-type: none"> 1. Strategy for existing market expansion 2. Strategy for new market development 3. Strategy for strengthening business operation system 	<ul style="list-style-type: none"> ✓ Expand existing markets by promoting increases in the numbers of recruitment, orders and assignments to clients ✓ Create new markets by promoting orders and assignments to clients in particular technology fields 					
Recruiting & Placement Business for Engineers <table border="1"> <tr> <td> <ol style="list-style-type: none"> 1. Strategy for existing market expansion 2. Strategy for new market development 3. Function building strategy </td> <td> <ul style="list-style-type: none"> ✓ Enhance response to market changes by improving matching accuracy and increasing volume ✓ Expand the number of job placements by increasing the number of employees required in new technology fields and areas </td> </tr> </table>			<ol style="list-style-type: none"> 1. Strategy for existing market expansion 2. Strategy for new market development 3. Function building strategy 	<ul style="list-style-type: none"> ✓ Enhance response to market changes by improving matching accuracy and increasing volume ✓ Expand the number of job placements by increasing the number of employees required in new technology fields and areas 		
<ol style="list-style-type: none"> 1. Strategy for existing market expansion 2. Strategy for new market development 3. Function building strategy 	<ul style="list-style-type: none"> ✓ Enhance response to market changes by improving matching accuracy and increasing volume ✓ Expand the number of job placements by increasing the number of employees required in new technology fields and areas 					

Pursuit of High Added Value

Improve capability to respond to changing customer needs and technological evolution, and provide services with further added value

Next Mid-term Management Plan scheduled for release in May 2020

- The progress in the Mid-Term Management Plan is as follows.
- Considering the results of the Mid-Term Management Plan, changes in clients' needs, and rapid technological evolution, pursuing even higher added value is a large theme in our continued growth.
- We will consider these factors in formulating the next Mid-Term Management Plan, which we plan to release next May.

Basic Policy Regarding Profit Distribution

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**

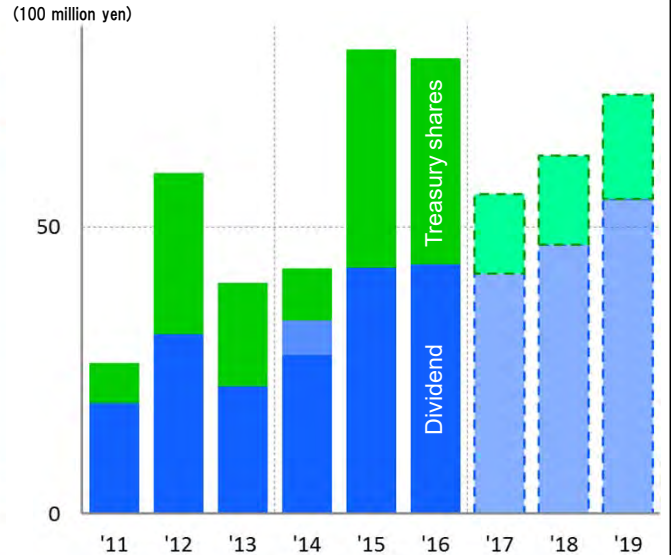
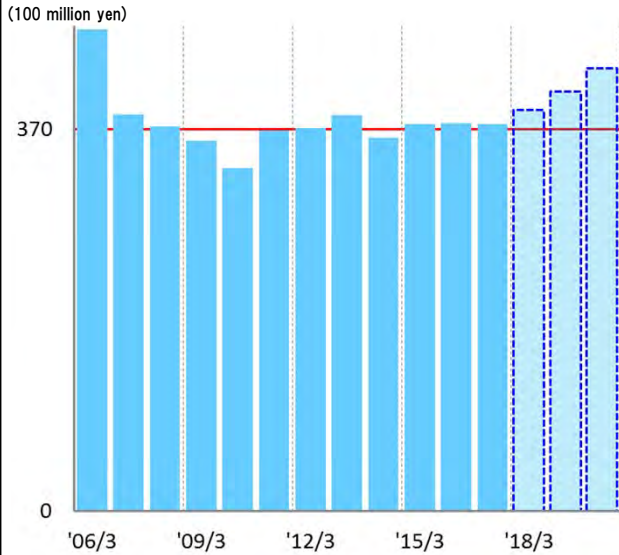
**Retired
 Excess above maxim to be retired
 by the end of the fiscal year**

✓ 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.

- No changes have been made to our Basic Policy Regarding Profit Distribution.

1. Enhance shareholders' equity in conjunction with the rise in the number of engineers, and increase shareholders' equity to roughly ¥40 billion* at the end of March 2020, the final year of the Mid-term Management Plan
(*After deduction of year-end dividends)

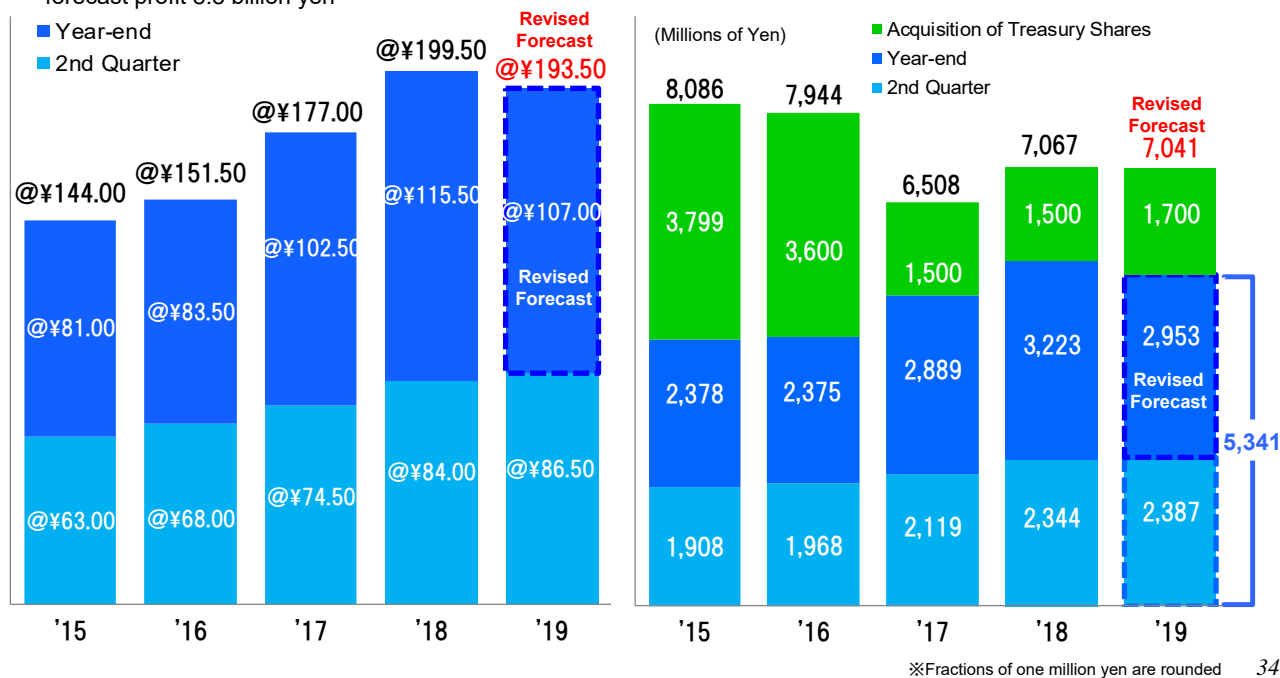
2. Total return ratio for 3 years is roughly 80%
(1) Dividend payout ratio: 60%
(2) Purchase of treasury shares: 20%
(The breakdown reflects the dialogue with shareholders and investors)



- This slide shows our profit distribution plan for the three years of the Mid-term Management Plan.
- We set a total return ratio during the Mid-Term Management Plan of roughly 80%, with a 60% dividend payout ratio and 20% going to the purchase of treasury shares, a breakdown that reflects the dialogue with shareholders and investors.

Results and Forecast of Profit Distribution

- ✓ Following the revisions in our earnings forecast, in line with the 80% total return ratio in our profit distribution plan in the Mid-term Management Plan (60% dividend payout ratio, 20% purchase of treasury shares), we are revising our profit distribution.
- ✓ Total return ratio 80% = (ordinary dividends 5.3 billion yen + purchase of treasury shares amount 1.7 billion yen) ÷ forecast profit 8.8 billion yen



- Lastly, I will discuss our results and forecast of profit distribution.
- As profit in the first half exceeded our initial forecasts, we have revised up the interim dividend by ¥4.50 from our initial forecast to ¥86.50 per share.
- Furthermore, as we upwardly revised our full-year profit forecast to ¥8.8 billion, based on a dividend payout ratio of 60%, we have increased our year-end dividend forecast by ¥0.50 from the initial forecast of ¥106.50 to ¥107 and our annual dividend forecast to ¥193.50.
- That ends my presentation today.
We will continue to work to meet your expectations going forward.
We appreciate your continuing support and understanding.
Thank you for listening.

3. Reference Materials

人と技術で次代を拓く

MEITEC
Engineering Firm at The Core

The Meitec Group aims to cater to as many corporate clients and engineers as possible to realize more inspiring and enjoyable job opportunities and placements.

Hideyo Kokubun
President CEO,COO
MEITEC Group CEO

國分 秀世



Results for the 2nd Quarter of the Fiscal Year Ending March 31, 2020 (Group Companies)

	Engineering Solutions Business				Recruiting & Placement Business for Engineers
	Meitec	Meitec Fielders	Meitec Cast	Meitec EX	Meitec Next
(Fractions of one million yen are rounded down)					
Net sales	36,976	10,439	1,402	54	867
YoY Amount	+ 860	+ 1,124	(6)	(2)	(27)
% Change	+ 2.4%	+ 12.1%	(0.5%)	(4.7%)	(3.1%)
Operating profit	4,762	930	84	(8)	237
YoY Amount	+ 118	+ 118	+ 7	(1)	(54)
% Change	+ 2.5%	+ 14.6%	+ 10.4%	—	(18.7%)
Ordinary profit	5,661	930	84	(8)	235
Profit	3,997	644	58	(8)	163

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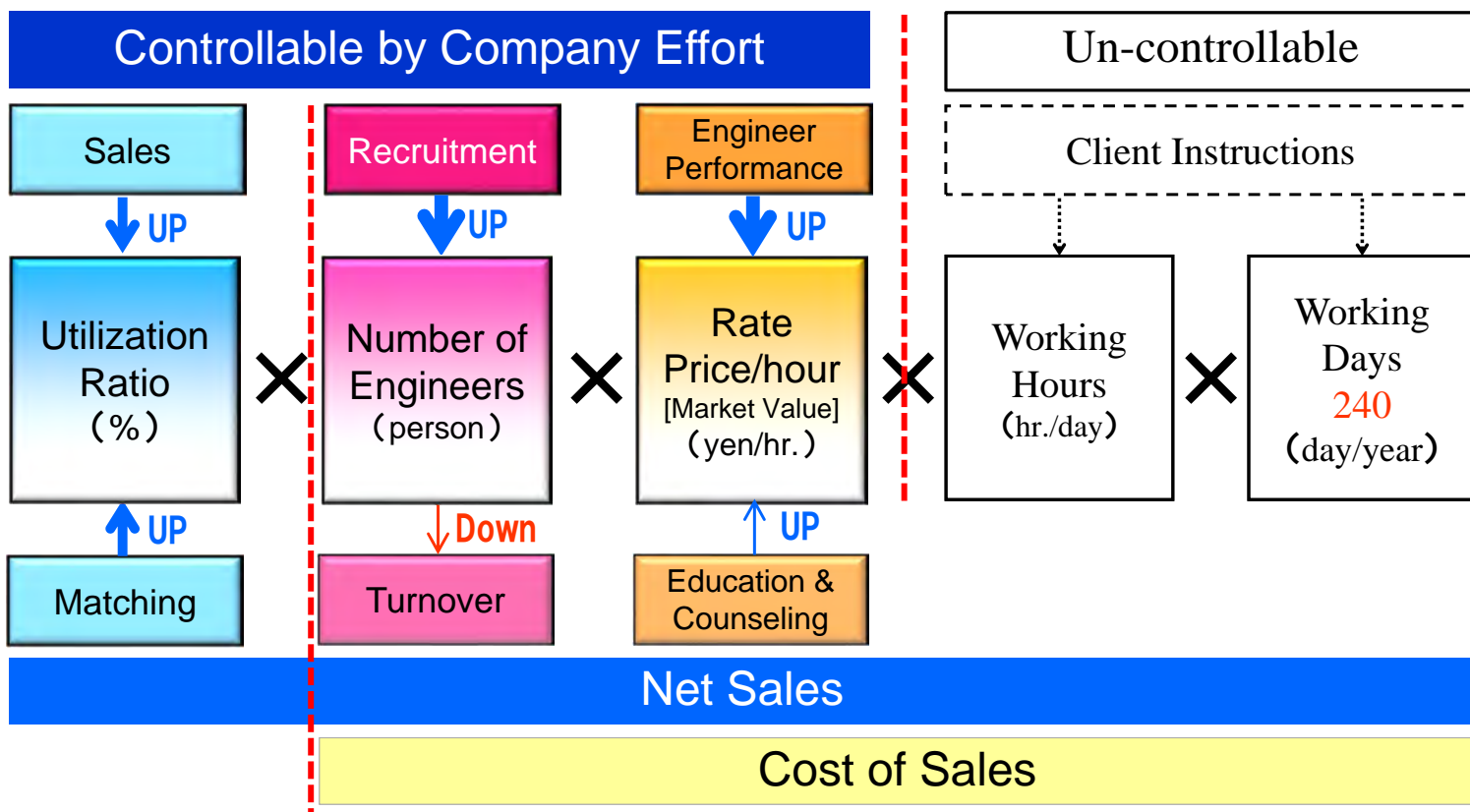
Forecast for the Fiscal Year Ending March 31, 2020 (Group Companies)

	Engineering Solutions Business				Recruiting & Placement Business for Engineers
	Meitec	Meitec Fielders	Meitec Cast	Meitec EX	Meitec Next
(Fractions of one million yen are rounded down)					
Net sales	75,500	21,500	2,900	120	1,800
YoY Amount	+ 1,463	+ 2,163	+ 68	+ 11	+ 37
% Change	+ 2.0%	+ 11.2%	+ 2.4%	+ 10.5%	+ 2.1%
Operating profit	10,300	1,800	150	0	500
YoY Amount	+ 142	+ 65	(22)	+ 4	(59)
% Change	+ 1.4%	+ 3.8%	(13.1%)	—	(10.7%)
Ordinary profit	11,200	1,800	150	0	500
Profit	7,900	1,300	100	0	340

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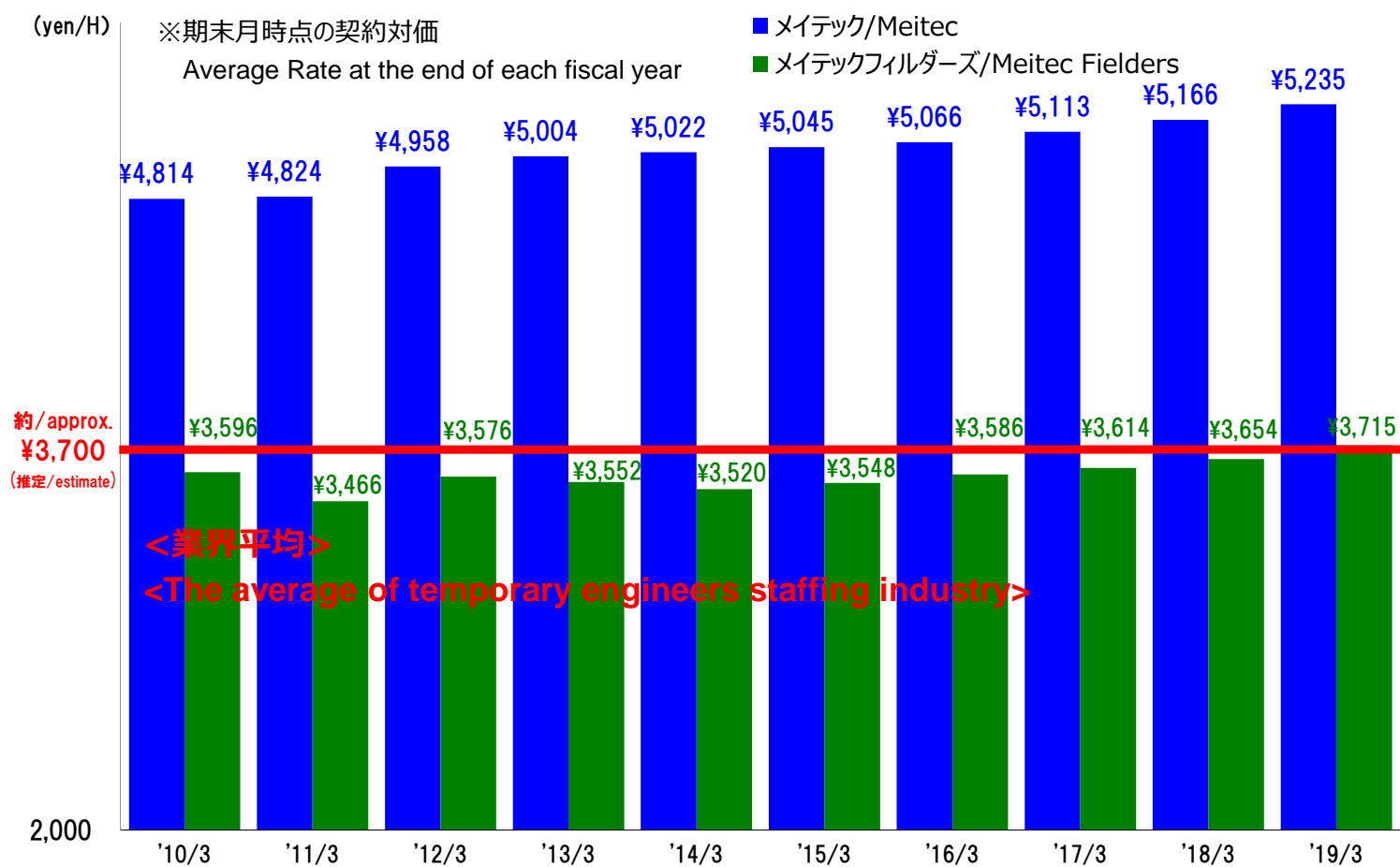
Sales and Cost (Dispatch-type)

- ✓ Increasing the number of engineers and sustaining and improving the high "utilization ratio and prices" are the key to a growth.



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Trend in Average Rate = (Market Value)



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Sales by the Industrial Segments (Meitec)

Millions of Yen

Meitec (Fractions of one million yen are rounded down)	2Q FY2015	2Q FY2016	2Q FY2017	2Q FY2018	2Q FY2019			
	Net Sales				Net Sales	Total Net Sales(%)	Change	Change (%)
Automobile/Transportation	8,574	9,221	10,091	10,542	11,060	29.9%	+518	+4.9%
Aircraft/Aerospace	2,669	2,764	2,545	2,278	2,276	6.2%	(1)	(0.1%)
Industrial Machinery	4,908	5,083	5,070	5,094	5,232	14.2%	+137	+ 2.7%
Precision Equipment	2,468	2,553	2,831	3,123	3,400	9.2%	+277	+8.9%
IT Related Hardware and Devices	2,406	2,162	2,024	1,936	1,794	4.9%	(142)	(7.3%)
Electric and Electronics	4,016	4,045	4,229	4,080	3,896	10.5%	(183)	(4.5%)
Semiconductors and Integrated Circuits Design	2,095	1,965	2,012	2,095	2,002	5.4%	(93)	(4.4%)
Semiconductor Equipment and Devices	949	974	1,143	1,315	1,325	3.6%	+9	+ 0.8%
Information Processing/Software	2,357	2,400	2,603	2,587	2,719	7.4%	+132	+ 5.1%
Plant	1,103	1,238	1,284	1,259	1,374	3.7%	+115	+ 9.2%
Construction	181	199	194	198	167	0.5%	(30)	(15.4%)
Others	1,399	1,464	1,513	1,603	1,725	4.7%	+121	+7.6%
Total	33,131	34,073	35,544	36,116	36,976	100.0%	+860	+2.4%

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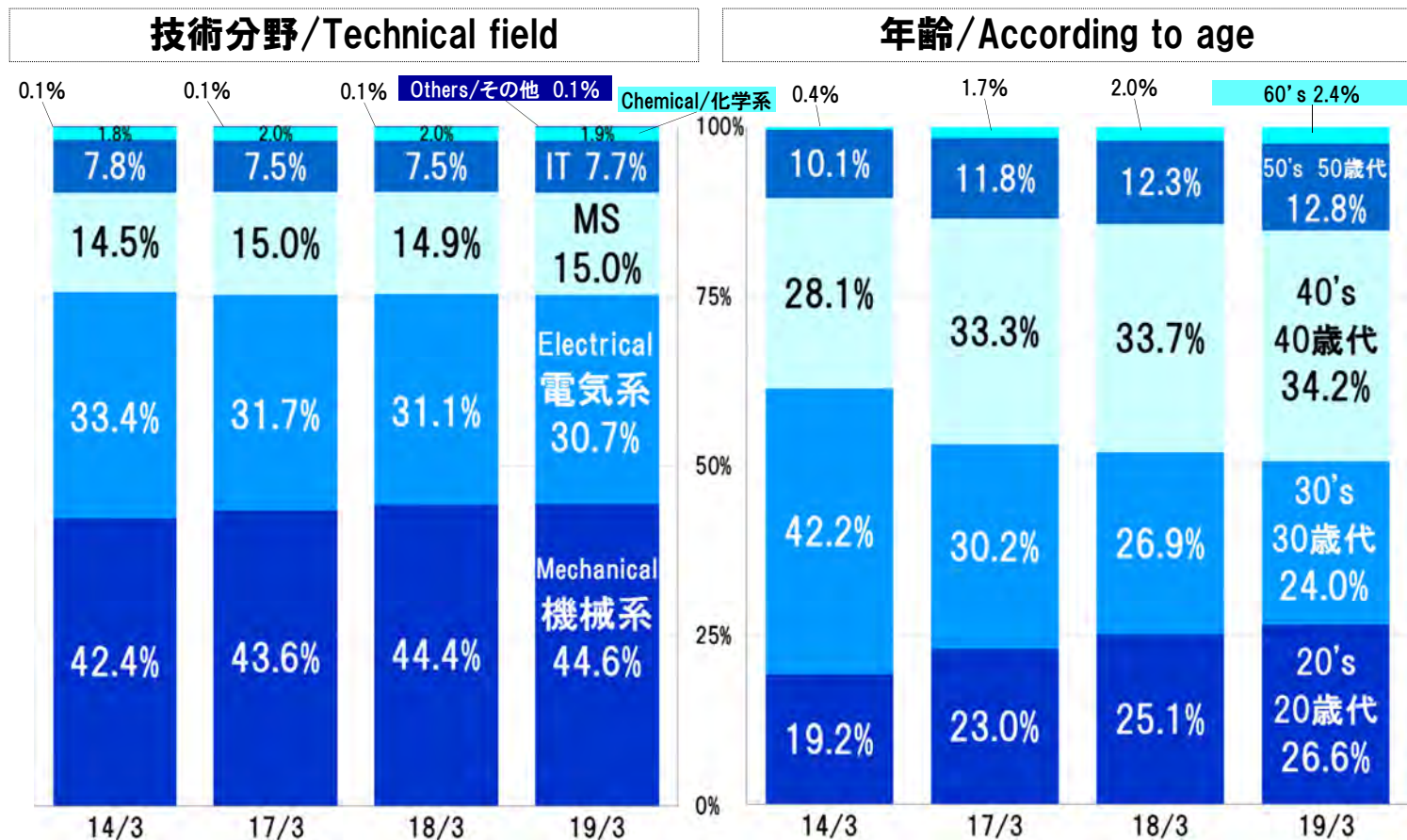
Sales by the Industrial Segments (Meitec Fielders)

Millions of Yen

Meitec Fielders (Fractions of one million yen are rounded down)	2Q FY2015	2Q FY2016	2Q FY2017	2Q FY2018	2Q FY2019			
	Net Sales				Net Sales	Total Net Sales(%)	Change	Change (%)
Automobile/Transportation	2,385	2,682	2,861	3,101	3,418	32.7%	+317	+ 10.2%
Aircraft/Aerospace	115	173	193	174	182	1.7%	+7	+ 4.3%
Industrial Machinery	941	1,036	1,234	1,524	1,909	18.3%	+384	+ 25.3%
Precision Equipment	808	836	1,014	1,141	1,327	12.7%	+186	+ 16.3%
IT Related Hardware and Devices	209	263	314	331	371	3.6%	+40	+ 12.3%
Electric and Electronics	819	874	978	1,069	1,085	10.4%	+15	+ 1.4%
Semiconductors and Integrated Circuits Design	233	264	293	347	345	3.3%	(2)	(0.8%)
Semiconductor Equipment and Devices	230	341	399	654	688	6.6%	+33	+ 5.1%
Information Processing/Software	168	164	219	246	337	3.2%	+90	+ 36.7%
Plant	225	263	298	289	312	3.0%	+22	+ 7.8%
Construction	7	10	36	48	8	0.1%	(40)	(82.1%)
Others	242	307	318	383	453	4.3%	+69	+ 18.1%
Total	6,386	7,218	8,163	9,314	10,439	100.0%	+1,124	+12.1%

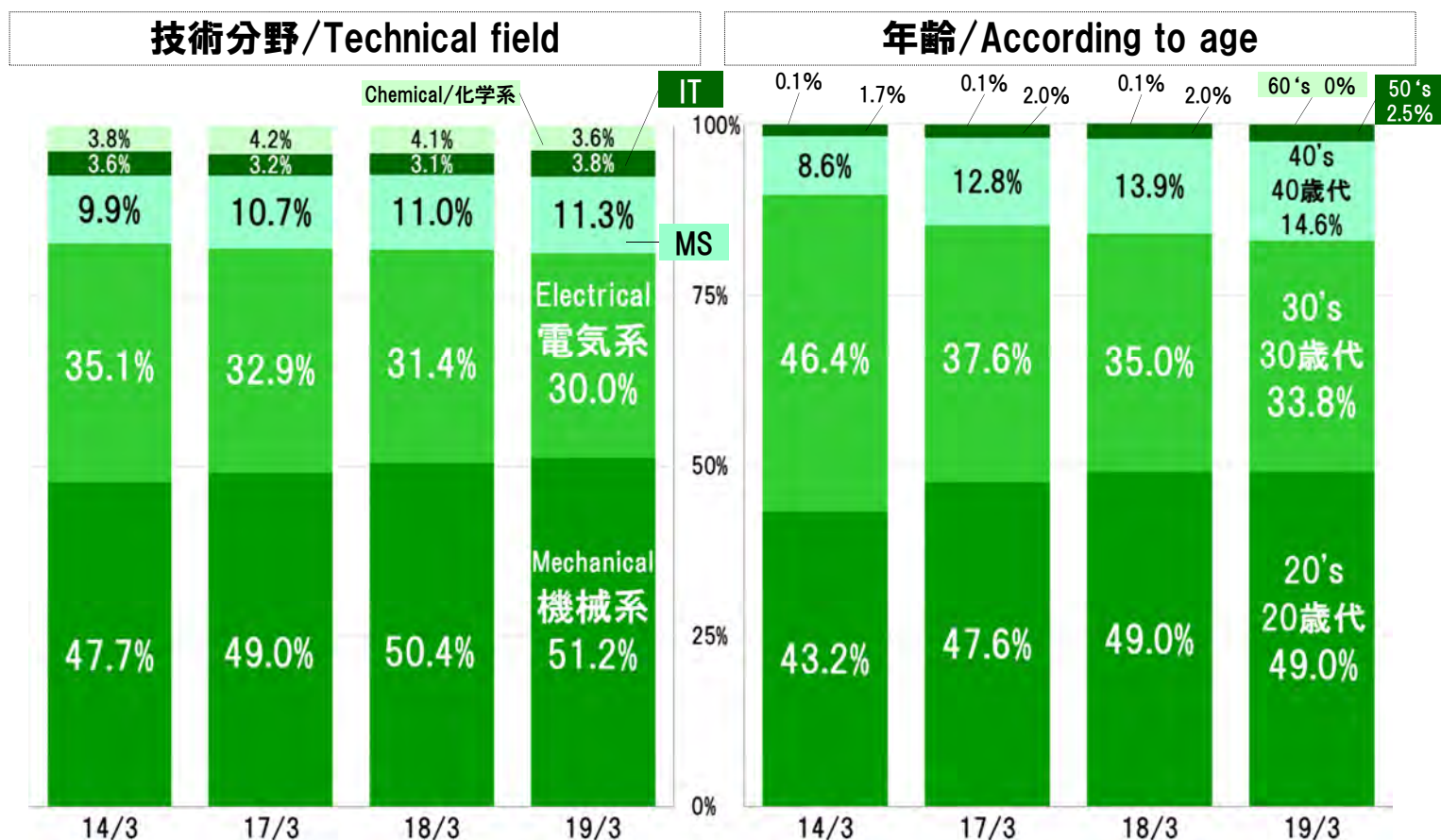
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Distribution of Engineers by Technical Fields and Age (Meitec)



MS: Micro Computer System

Distribution of Engineers by Technical Fields and Age (Meitec Fielders)



MS: Micro Computer System

Trend of Performances (Consolidated)

(Millions of Yen)	2009-2Q	2010-2Q	2011-2Q	2012-2Q	2013-2Q	2014-2Q	2015-2Q	2016-2Q	2017-2Q	2018-2Q	2019-2Q
Net sales	26,203	29,357	31,937	34,130	35,754	39,300	42,143	44,111	45,867	47,621	49,577
Cost of sales	23,478	23,628	24,052	25,119	26,607	29,366	31,321	32,861	34,049	35,288	36,461
Cost of sales to Net sales	89.6%	80.5%	75.3%	73.6%	74.4%	74.7%	74.3%	74.5%	74.2%	74.1%	73.5%
Gross profit	2,724	5,728	7,885	9,010	9,146	9,934	10,822	11,249	11,817	12,332	13,116
Selling, general and administrative expenses	5,973	5,065	5,556	6,119	6,239	5,941	6,077	6,178	6,375	6,505	7,113
SG&A expenses to Net sales	22.8%	17.3%	17.4%	17.9%	17.4%	15.1%	14.4%	14.0%	13.9%	13.7%	14.3%
Operating profit	(3,248)	662	2,328	2,891	2,907	3,992	4,744	5,071	5,442	5,827	6,003
Operating profit margins	(12.4%)	2.3%	7.3%	8.5%	8.1%	10.2%	11.3%	11.5%	11.9%	12.2%	12.1%
Non-operating profit	2,456	1,468	46	74	33	24	14	11	9	7	22
Non-operating expenses	58	43	24	20	9	3	35	7	5	5	4
Ordinary profit	(850)	2,087	2,350	2,945	2,931	4,012	4,723	5,074	5,447	5,830	6,020
Ordinary profit margins	(3.2%)	7.1%	7.4%	8.6%	8.2%	10.2%	11.2%	11.5%	11.9%	12.2%	12.1%
Extraordinary income	26	297	—	47	—	7	1,084	2	—	11	—
Extraordinary loss	26	83	2	206	18	3,464	30	3	60	1	2
Profit before income taxes	(850)	2,302	2,347	2,786	2,913	555	5,777	5,073	5,386	5,840	6,018
Total income taxes	364	686	1,051	1,094	1,207	361	1,979	1,607	1,860	1,954	2,047
Profit attributable to owners of parent	(1,214)	1,615	1,295	1,692	1,706	194	3,798	3,466	3,526	3,885	3,970
Profit margins	(4.6%)	5.5%	4.1%	5.0%	4.8%	0.5%	9.0%	7.9%	7.7%	8.2%	8.0%

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Trend of Performances (Meitec)

(Millions of Yen)	2009-2Q	2010-2Q	2011-2Q	2012-2Q	2013-2Q	2014-2Q	2015-2Q	2016-2Q	2017-2Q	2018-2Q	2019-2Q
Net sales	20,097	22,698	25,256	27,125	28,150	30,682	33,131	34,073	35,544	36,116	36,976
Cost of sales	18,015	18,629	19,180	20,081	21,094	23,091	24,758	25,545	26,601	26,969	27,307
Cost of sales to Net sales	89.6%	82.1%	75.9%	74.0%	74.9%	75.3%	74.7%	75.0%	74.8%	74.7%	73.8%
Gross profit	2,082	4,069	6,075	7,043	7,056	7,590	8,372	8,527	8,942	9,146	9,669
Selling, general and administrative expenses	4,013	3,829	4,131	4,583	4,664	4,325	4,444	4,426	4,512	4,502	4,907
SG&A expenses to Net sales	20.0%	16.9%	16.4%	16.9%	16.6%	14.1%	13.4%	13.0%	12.7%	12.5%	13.3%
Operating profit	(1,931)	239	1,944	2,460	2,392	3,265	3,927	4,100	4,430	4,644	4,762
Operating profit margins	(9.6%)	1.1%	7.7%	9.1%	8.5%	10.6%	11.9%	12.0%	12.5%	12.9%	12.9%
Non-operating profit	2,070	1,350	337	291	403	435	497	585	751	749	902
Non-operating expenses	28	16	19	11	4	3	30	6	2	4	3
Ordinary profit	109	1,573	2,262	2,739	2,791	3,697	4,395	4,679	5,179	5,388	5,661
Ordinary profit margins	0.5%	6.9%	9.0%	10.1%	9.9%	12.0%	13.3%	13.7%	14.6%	14.9%	15.3%
Extraordinary income	1	1	—	—	—	8	1,084	15	30	11	—
Extraordinary loss	15	73	2	210	43	3,463	43	3	60	1	2
Profit before income taxes	95	1,501	2,260	2,528	2,748	242	5,437	4,691	5,149	5,398	5,658
Total income taxes	64	600	904	935	1,003	69	1,687	1,411	1,541	1,589	1,661
Profit	31	900	1,356	1,593	1,745	172	3,749	3,279	3,608	3,808	3,997
Profit margins	0.2%	4.0%	5.4%	5.9%	6.2%	0.6%	11.3%	9.6%	10.2%	10.5%	10.8%

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Trend of Performances (Meitec Fielders)

(Millions of Yen)	2009-2Q	2010-2Q	2011-2Q	2012-2Q	2013-2Q	2014-2Q	2015-2Q	2016-2Q	2017-2Q	2018-2Q	2019-2Q
Net sales	3,402	3,942	4,113	4,513	5,037	5,753	6,386	7,218	8,163	9,314	10,439
Cost of sales	3,372	3,138	3,134	3,436	3,879	4,453	4,965	5,637	6,357	7,245	8,095
Cost of sales to Net sales	99.1%	79.6%	76.2%	76.1%	77.0%	77.4%	77.7%	78.1%	77.9%	77.8%	77.5%
Gross profit	30	804	978	1,076	1,157	1,300	1,421	1,580	1,806	2,069	2,344
Selling, general and administrative expenses	990	549	738	807	806	813	873	939	1,129	1,256	1,413
SG&A expenses to Net sales	29.1%	13.9%	17.9%	17.9%	16.0%	14.1%	13.7%	13.0%	13.8%	13.5%	13.5%
Operating profit	(960)	254	240	269	351	486	547	641	677	812	930
Operating profit margins	(28.2%)	6.4%	5.8%	6.0%	7.0%	8.5%	8.6%	8.9%	8.3%	8.7%	8.9%
Non-operating profit	455	136	2	1	1	—	—	—	—	—	—
Non-operating expenses	1	—	—	—	—	—	—	1	2	—	—
Ordinary profit	(506)	389	242	270	352	486	548	639	674	812	930
Ordinary profit margins	(14.9%)	9.9%	5.9%	6.0%	7.0%	8.5%	8.6%	8.9%	8.3%	8.7%	8.9%
Extraordinary income	—	—	—	—	—	—	—	—	—	—	—
Extraordinary loss	—	1	—	—	—	—	—	—	—	—	—
Profit before income taxes	(507)	389	242	270	352	486	548	639	674	812	930
Total income taxes	277	15	96	102	133	189	198	116	211	250	286
Profit	(785)	373	145	167	218	297	349	523	462	561	644
Profit margins	(23.1%)	9.5%	3.5%	3.7%	4.3%	5.2%	5.5%	7.3%	5.7%	6.0%	6.2%

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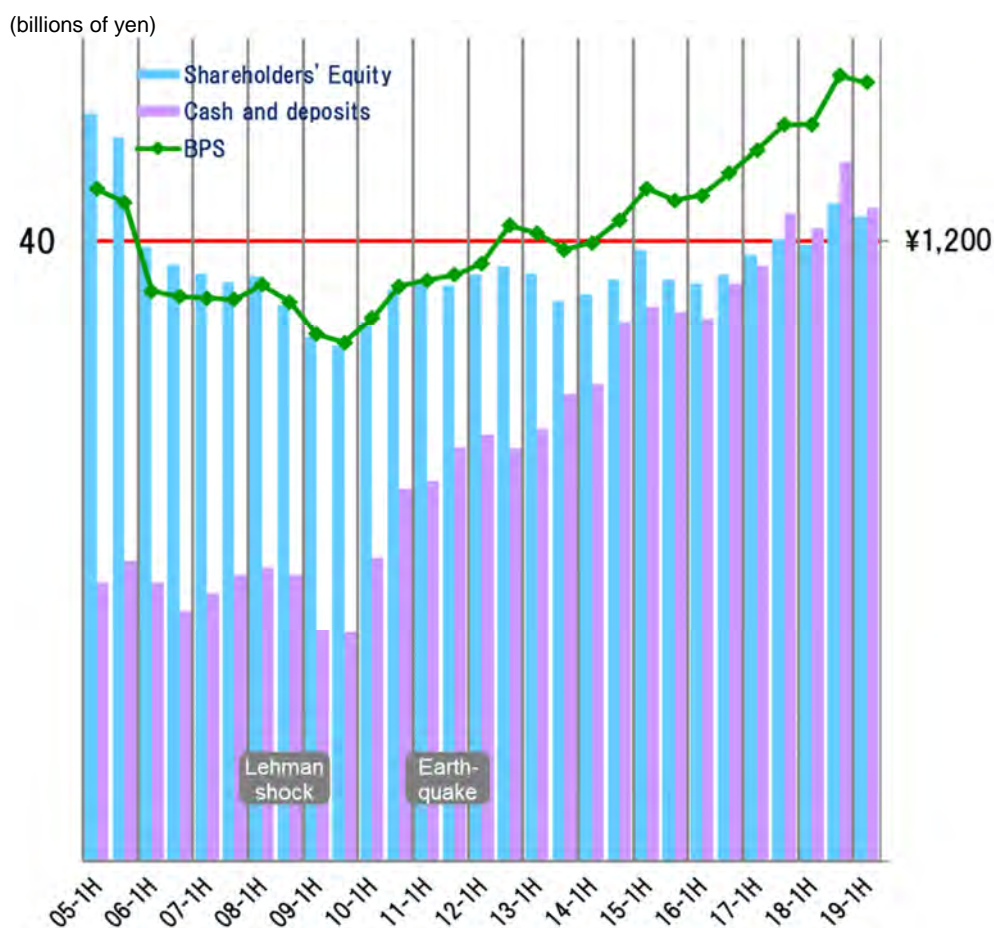
Trend of Performances (Meitec Next)

(Millions of Yen)	2009-2Q	2010-2Q	2011-2Q	2012-2Q	2013-2Q	2014-2Q	2015-2Q	2016-2Q	2017-2Q	2018-2Q	2019-2Q
Net sales	173	215	283	368	447	536	639	758	818	894	867
Cost of sales											
Cost of sales to Net sales											
Gross profit	173	215	283	368	447	536	639	758	818	894	867
Selling, general and administrative expenses	180	162	203	246	278	355	435	475	539	602	629
SG&A expenses to Net sales	104.0%	75.1%	71.7%	67.0%	62.2%	66.3%	68.0%	62.6%	65.9%	67.4%	72.6%
Operating profit	(6)	53	80	121	169	180	204	283	279	291	237
Operating profit margins	(4.0%)	24.9%	28.3%	33.0%	37.8%	33.7%	32.0%	37.4%	34.1%	32.6%	27.4%
Non-operating profit	—	1	—	—	—	—	—	—	—	—	—
Non-operating expenses	—	—	—	—	—	—	—	—	—	—	1
Ordinary profit	(6)	55	80	121	169	180	204	283	279	291	235
Ordinary profit margins	(3.9%)	25.5%	28.4%	33.0%	37.9%	33.7%	32.0%	37.4%	34.1%	32.6%	27.2%
Extraordinary income	—	—	—	—	—	—	—	—	—	—	—
Extraordinary loss	—	—	—	—	—	—	—	—	—	—	—
Profit before income taxes	(6)	54	80	121	169	180	204	283	278	291	235
Total income taxes	—	—	—	9	55	64	67	90	87	89	72
Profit	(7)	54	80	112	114	116	136	193	191	202	163
Profit margins	(4.1%)	25.1%	28.4%	30.5%	25.5%	21.6%	21.4%	25.5%	23.4%	22.6%	18.8%

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(Millions of Yen)	2009/9/30	2010/9/30	2011/9/30	2012/9/30	2013/9/30	2014/9/30	2015/9/30	2016/9/30	2017/9/30	2018/9/30	2019/9/30
Cash and deposits	14,851	19,548	24,504	27,506	27,866	30,719	35,716	34,954	38,425	40,838	42,131
Notes and accounts receivable - trade	8,016	9,389	9,391	10,036	10,070	11,680	12,048	12,695	13,354	13,100	13,709
Total current assets	27,391	32,210	37,128	40,935	42,090	46,427	52,071	52,568	55,645	55,348	57,148
Property, plant and equipment	12,390	11,986	11,465	10,920	10,785	7,333	5,980	5,632	5,498	5,296	5,364
Total non-current assets	19,823	18,600	17,494	16,215	15,799	12,393	12,271	11,183	11,743	14,168	14,408
Total assets	47,214	50,811	54,623	57,150	57,890	58,821	64,343	63,752	67,389	69,516	71,556
Total current liabilities	5,762	7,488	8,409	9,760	9,642	11,351	12,850	12,923	14,119	14,929	14,468
Total non-current liabilities	7,423	8,271	8,890	9,496	10,256	10,857	12,046	13,555	14,133	14,826	15,540
Total liabilities	13,185	15,760	17,299	19,257	19,898	22,209	24,897	26,478	28,252	29,755	30,009
Total shareholders' equity	34,604	35,716	38,146	38,744	38,816	38,401	41,387	39,570	41,118	41,575	43,219
Other net assets	(575)	(666)	(822)	(851)	(824)	(1,789)	(1,941)	(2,296)	(1,981)	(1,813)	(1,672)
Total net assets	34,028	35,050	37,324	37,893	37,991	36,612	39,445	37,273	39,136	39,761	41,547

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.

Trend of Profit Distributions and Forecast

(Fractions of one million yen are rounded)										Actual	Forecast	
	FY2009	FY2010	FY2011	FY2012	FY2013	FY2014	FY2015	FY2016	FY2017	FY2018	FY2019	
Total Return Ratio	—	24.7%	92.9%	99.0%	101.2%	116.8%	100.0%	100.1%	80.0%	80.0%	80.0%	
Dividend Payout ratio	—	24.7%	68.5%	53.2%	56.1%	92.4%	53.5%	55.2%	61.8%	63.3%	60.7%	
Dividend on Equity	2.4%	2.6%	5.2%	8.4%	6.0%	9.2%	11.4%	11.6%	12.9%	13.6%		
Annual Dividends	Per Share Millions of Yen	@¥24.50 812	@¥27.50 911	@¥58.50 1,925	@¥99.00 3,134	@¥72.00 2,220	@¥111.00 3,373	@¥144.00 4,286	@¥151.50 4,344	@¥177.00 5,008	@¥199.50 5,567	@¥193.50 5,341
2nd Quarter	Per Share Millions of Yen	@¥24.50 812		@¥29.00 961	@¥30.00 981	@¥31.50 983	@¥44.00 1,344	@¥63.00 1,908	@¥68.00 1,968	@¥74.50 2,119	@¥84.00 2,344	@¥86.50 2,387
	Year-end Millions of Yen		@¥27.50 911	@¥29.50 965	@¥69.00 2,153	@¥40.50 1,237	@¥67.00 2,029	@¥81.00 2,378	@¥83.50 2,375	@¥102.50 2,889	@¥115.50 3,223	@¥107.00 2,953
Acquisition of Treasury Shares	Thousands of shares			421	1,506	641	269	921	915	257	280	
	Millions of Yen			700	2,800	1,800	899	3,799	3,600	1,500	1,500	1,700
Total Shareholders Return	Millions of Yen	812	911	2,625	5,934	4,020	4,273	8,086	7,944	6,508	7,067	7,041
Retirement of Treasury Stock	Thousands of shares			400	1,700	500	300	900	1,300		700	
Stock Price TSE#9744	As of April 1	¥1,242	¥1,893	¥1,621	¥1,681	¥2,193	¥2,857	¥3,965	¥3,865	¥4,505	¥5,960	¥5,130
	As of March 31	¥1,831	¥1,664	¥1,669	¥2,343	¥2,930	¥4,025	¥3,935	¥4,520	¥5,890	¥5,030	
Earnings per Share		@¥(27.30)	@¥111.33	@¥85.45	@¥186.08	@¥128.30	@¥120.12	@¥269.24	@¥274.32	@¥286.64	@¥315.43	@¥318.83
Net Assets per Share		@¥1,002.58	@¥1,112.69	@¥1,135.10	@¥1,229.62	@¥1,182.85	@¥1,238.78	@¥1,278.59	@¥1,330.57	@¥1,424.01	@¥1,518.42	

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Shareholders by Business Segments

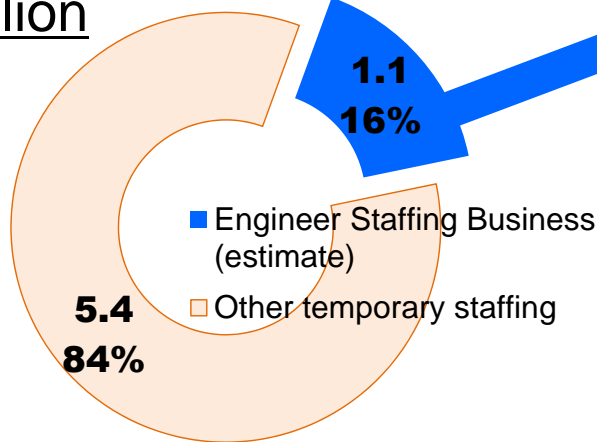
Shareholder Segment	As of September 30, 2019			
	Shareholders	%	Shares Held	%
Banks	7	0.2%	281,711	1.0%
Trust Banks	18	0.4%	8,385,200	28.6%
Life and nonlife insurance companies	31	0.6%	3,840,583	13.1%
Securities financing and other financial companies	5	0.1%	32,260	0.1%
Securities companies	25	0.5%	503,693	1.7%
Business concerns and other companies	72	1.5%	157,899	0.5%
Overseas companies and investors	251	5.2%	11,698,314	39.9%
Individuals and others	4,384	91.5%	4,400,340	15.0%
Total	4,793	100.0%	29,300,000	100.0%

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- ✓ Calculation of estimates based on statistics following the revisions to the Worker Dispatching Act.

Annual sales of the Temporary Staffing Market (FY2017)

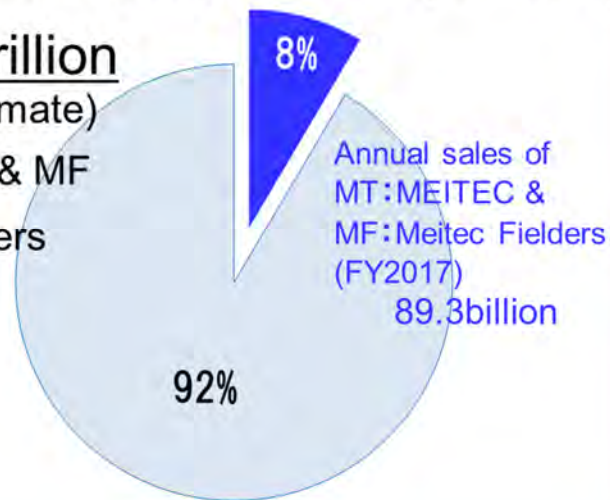
6.5trillion



Engineer Staffing Business (estimate)

1.1trillion (estimate)

- MT & MF
- Others



March-2019

Meitec

¥5,235

Meitec Fielders

¥3,715

Engineer Staffing (estimate)

approx.¥3,700

Source: MHLW statistics . We calculated the estimate originally. * We assume no responsibility for our estimation.

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Corporate Governance

I. Organization of the Company

1. Type of organization

Corporation with audit & supervisory board

2.The Company established following two distinctive committee chaired by an outside director.

i . Corporate Governance Committee
Chairman: Outside Director; Members: All Directors

- Evaluation and analysis of effectiveness of Board of Directors
- Discussion of basic matters of governance and other issues

ii . Officer Appointment Advisory Committee
Chairman: Outside Director;
Members: CEO and Outside Directors

Evaluating appropriateness of processes

- Appointment/dismissal of Representative Director & CEO
- Performance evaluation of inside executive directors
- Nomination of directors and audit & supervisory board member candidates
- Remuneration of inside executive directors

CEO Candidates Screening Council

II. Executives(As of September 30, 2019)

	Directors	Audit & Supervisory Board Members	Total
Number	9	4	13
of which Independent & Outside	4	4	8
ratio	44%	100%	62% >

Policy of composition
One-third or more of attendees

III. Calculation Method of Executive Remuneration

Remuneration Amounts to Individual Executives

¥1K=JPY1,000-	Revised March 2019	
CEO, MEITEC Group President and CEO, COO	Yearly payment	¥28,800K (Monthly ¥2,400K)
Senior Vice President and Director	Yearly payment	¥24,000K (Monthly ¥2,000K)
Director	Yearly payment	¥19,200K (Monthly ¥1,600K)
Outside Director	Yearly payment	¥9,000K (Monthly ¥750K)
Standing audit & supervisory board member	Yearly payment	¥24,000K (Monthly ¥2,000K)
Audit & supervisory board member	Yearly payment	¥7,800K (Monthly ¥650K)

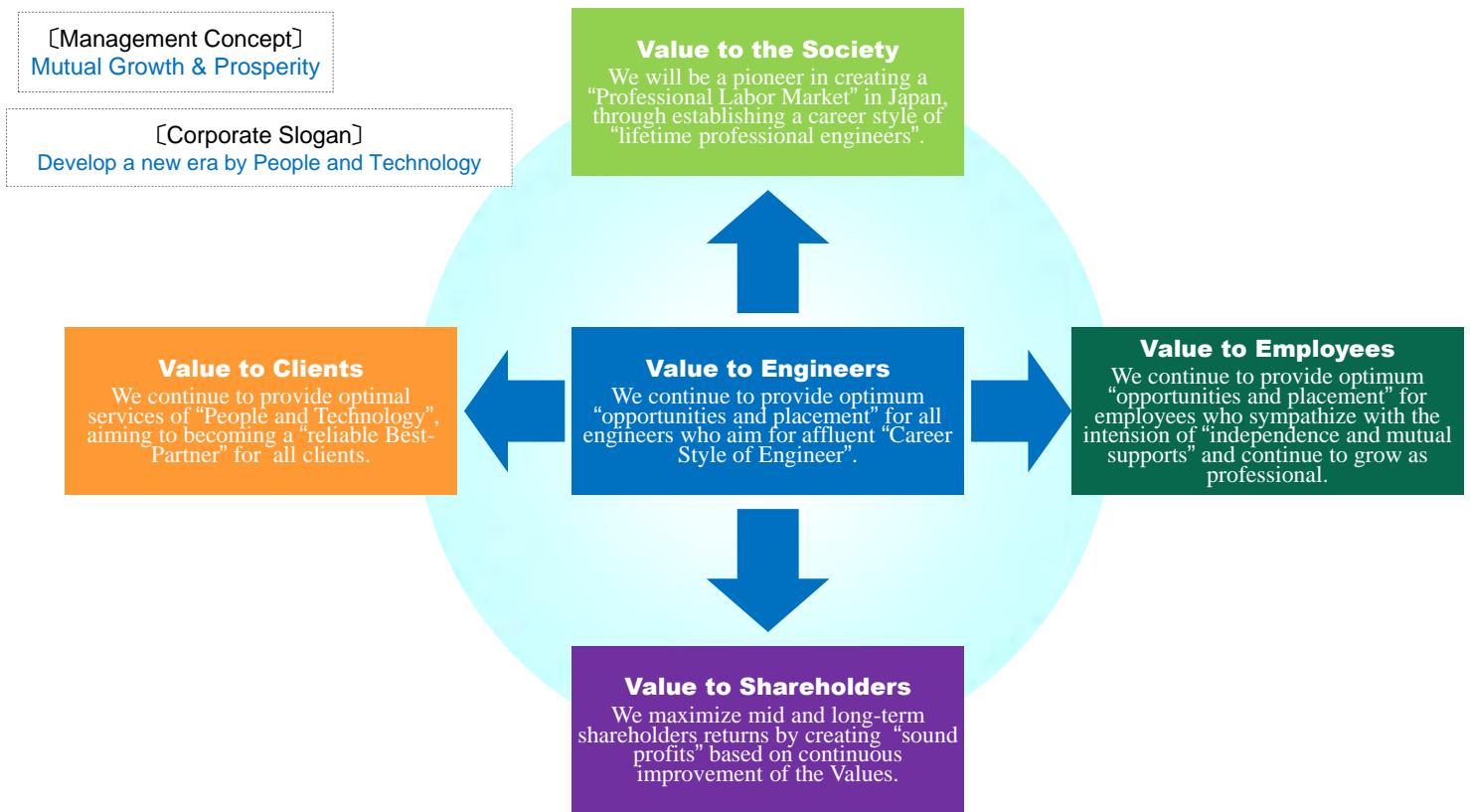
Performance-linked remuneration etc.

	Revised: April 1, 2016
Consolidated profit (not including performance-linked directors' remuneration)	x 2.5% Upper limit: 250 million yen annually
Of which Outside Directors	Not eligible for allocation
Of which the equivalent to 20% of post-tax value	Allocated for purchase of treasury shares (Directors shareholding association method)

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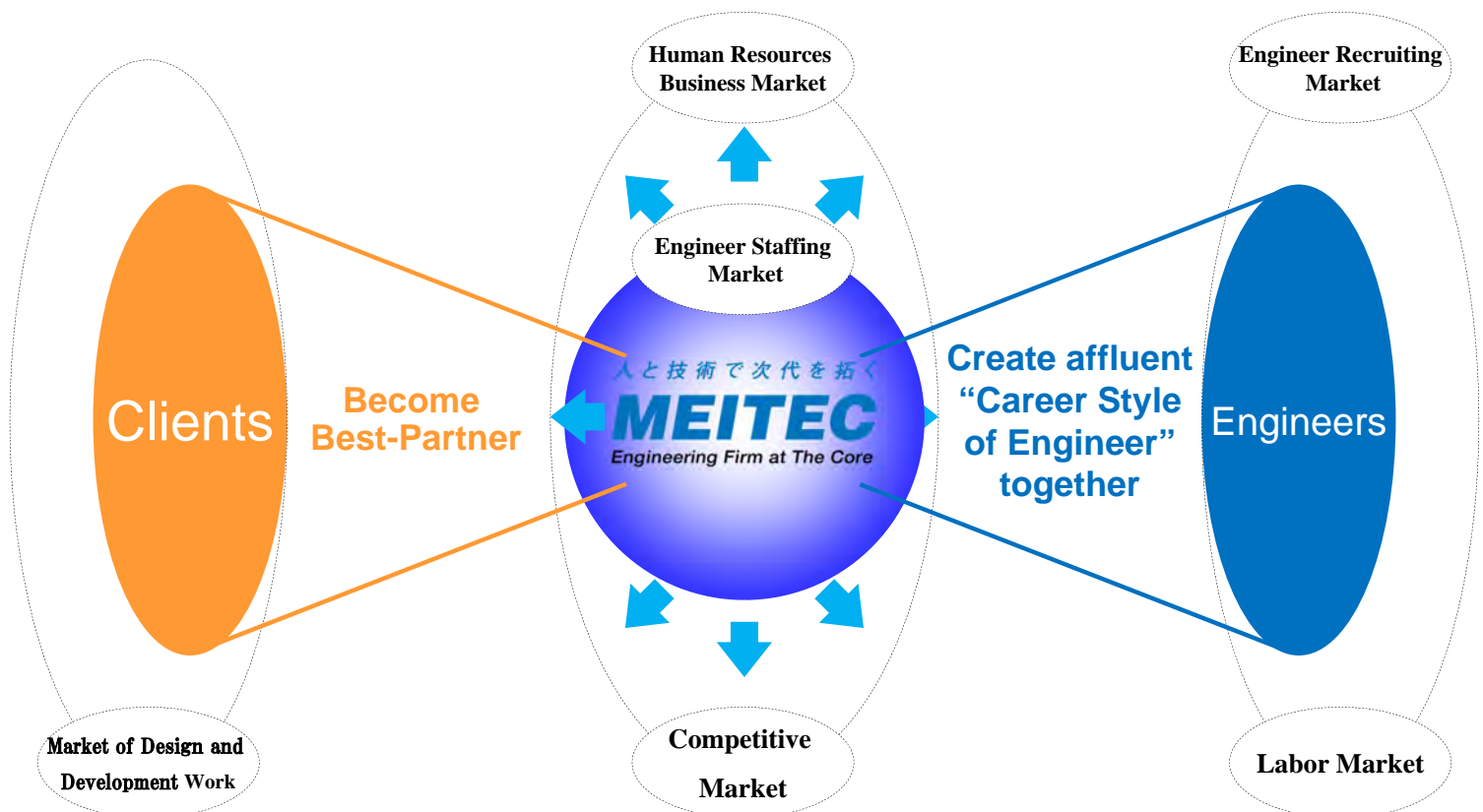
“Ideal State of the Meitec Group”

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.



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Target of Providing the Value



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Engineering Firm at The Core

We are a group of engineers that plays a core role in manufacturing through its “People and Technology.”

We would like to be a group that creates affluent “Career Style of Engineer” to engineers, reaching the stage where our clients call us their truly, indispensable “Best Partner.”

We have developed a new era by people and technology up until now. Taking pride in that achievement, we will remain a group that plays a core role in both the engineer recruiting market, labor market and the market of design and development operations.



Engineering Firm

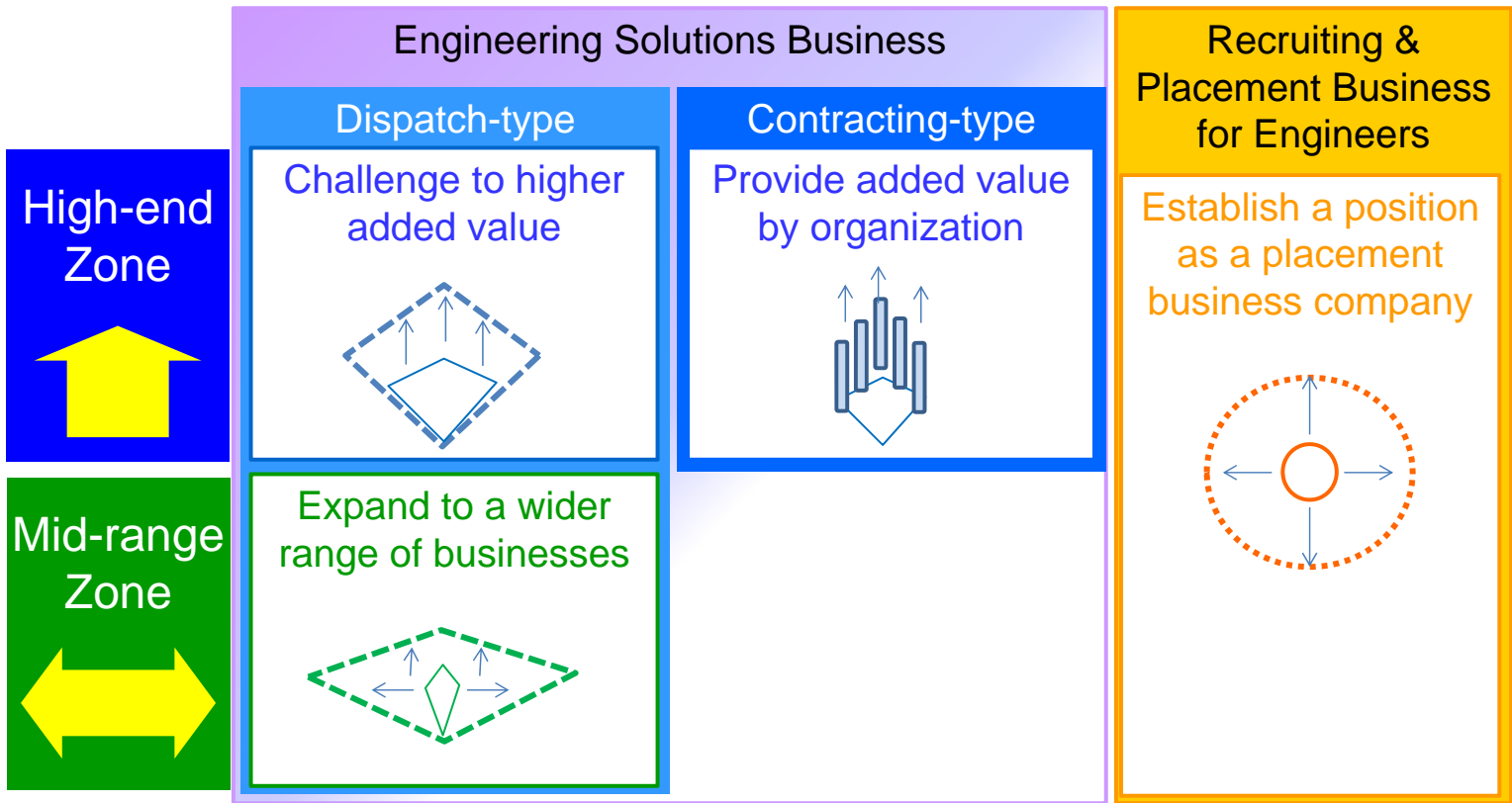
“Engineering Firm” in our description means that all the members of the Meitec Group belong to a group of engineering professionals who improve each other and keep growing with the spirit of “independence and mutual support.”

The Core

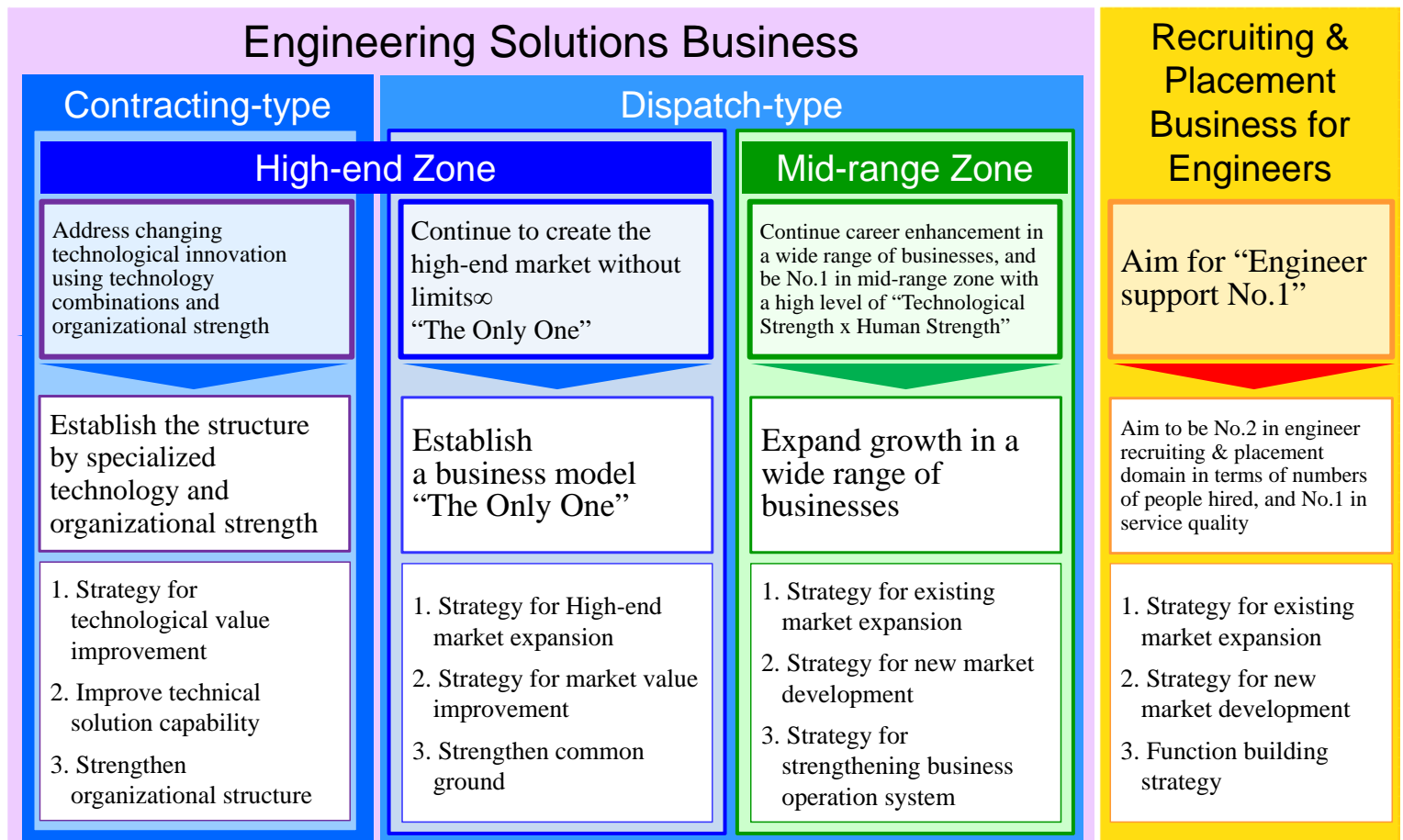
The Core in how we see ourselves means that we are a group of companies that produces “important and indispensable” value for the technological innovation of manufacturers.

The Core in how we see ourselves also means that we are a group of companies that is able to offer an “important and indispensable” way of working, as engineers who consider their profession as the core of society.

Strengthen competitiveness for aggressive growth



Next Stage 1 Strategies by Each Businesses -Goals for the future of the business-



Tokyo Headquarters	Taito-ku, Tokyo
Nagoya Headquarters	Nishi-ku, Nagoya
Stock listings	Tokyo Stock Exchange, 1st Section (No. 9744)
Incorporated	July 17, 1974
C l i e n t s	Approximately 1,200 blue-chip companies, mostly listed in the first and second sections of Tokyo Stock Exchange
B r a n c h e s	36 Sales offices, including Tokyo, Nagoya, Osaka, and other major Japanese cities
Group Companies	<p>[Engineering Solutions Business]</p> <ul style="list-style-type: none"> ■ MEITEC FIELDERS INC. ■ MEITEC CAST INC. ■ MEITEC EX CORPORATION ■ MEITEC BUSINESS SERVICE CORPORATION <p>[Recruiting & Placement Business for engineers]</p> <ul style="list-style-type: none"> ■ MEITEC NEXT CORPORATION

人と技術で次代を拓く

MEITEC

Engineering Firm at The Core