

# MEITEC CORPORATION

## Results for the Fiscal Year Ended March 31, 2019

May 9, 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 Fiscal Year Ended March 31, 2019**
- 2. Progress on Mid-term Management Plan**
- 3. Forecast for the Fiscal Year Ending March 31, 2020**
- 4. 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.

5

- I will now discuss the following:
  1. Results for the fiscal year ended March 31, 2019;
  2. Progress on Mid-term Management Plan; and
  3. Forecast for the fiscal year ending March 31, 2020.
- Please take a look at 4. Reference materials later.

**1. Results for the Fiscal Year**  
**Ended March 31, 2019**

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**MEITEC**  
Engineering Firm at The Core

- I will begin by discussing results for the fiscal year ended March 31, 2019.

## Results for the Fiscal Year Ended March 31, 2019 (Group Consolidated)

- ✓ Net sales rose 4.4% year on year, operating profit was up 10.3% YoY, and profit attributable to owners of parent increased 8.6% YoY.

(Fractions of one million yen are rounded down)	FY ended March. 31, 2018	FY ended March. 31, 2019	YoY Amount	% Change	Past Forecast	Progress toward the FY forecast
Net sales	93,618	97,736	+4,117	+4.4%	97,000	+736
Cost of sales	69,250	71,701	+2,450	+3.5%	71,000	+701
Cost of sales to Net sales	74.0%	73.4%	(0.6%)			
SG&A Expenses	12,910	13,399	+489	+3.8%	14,000	(601)
Operating profit	11,458	12,635	+1,177	+10.3%	12,000	+635
Operating profit margins	12.2%	12.9%	+0.7%		12.4%	+0.5%
Ordinary profit	11,465	12,643	+1,178	+10.3%	12,000	+643
Extraordinary income & loss	75	7	(67)			
Profit before income taxes	11,541	12,651	+1,110	+9.6%		
Profit attributable to owners of parent	8,132	8,829	+697	+8.6%	8,100	+729
Profit margins	8.7%	9.0%	+0.3%			
Return on Equity (ROE)	20.9%	21.4%	+0.5%			
Ordinary profit to total assets ratio	16.7%	17.4%	+0.7%			

- This shows the Group's consolidated results.
- Earnings were driven by the Engineering Solutions Business, which accounts for 90% of consolidated net sales, as a result of continued investment in technological development by major manufacturers, Meitec's main clients.
- Net sales rose 4.4% year on year to ¥ 97,736 million, operating profit increased 10.3% year on year to ¥ 12,635 million, and profit attributable to owners of parent increased 8.6% year on year to ¥ 8,829 million.
- Furthermore, net sales exceeded our forecast as the utilization ratio and working hours were above our expectations, while operating profit exceeded our forecast due to the fact that SG&A expenses were lower than expected.

## Results for the Fiscal Year Ended March 31, 2019 (Business Domains)

- ✓ The Engineering Solutions Business continued to be the earnings driver ⇒ Net sales rose 4.4% year on year.
- ✓ Recruiting & Placement Business for Engineers achieved sales and profit growth due to an increase in the number of job and other reasons.

(Fractions of one million yen are rounded down)	FY ended March. 31, 2018	FY ended March. 31, 2019	YoY Amount	% Change
Sales of Engineering Solutions Business	92,056	96,106	+ 4,049	+ 4.4%
Component ratio	98.3%	98.3%	—	
Operating profit	10,912	12,075	+ 1,162	+ 10.7%
Sales of Recruiting & Placement Business for Engineers	1,662	1,762	+ 100	+ 6.1%
Component ratio	1.8%	1.8%	—	
Operating profit	545	560	+ 15	+ 2.8%

8

- This shows results for the Group's business domains.
- In the Engineering Solutions Business, net sales rose 4.4% year on year, operating profit was up 10.7% year on year.
- The Recruiting & Placement Business for Engineers achieved sales and profit growth due to an increase in the number of jobs, etc.

## Results for the Fiscal Year Ended March 31, 2019 (Meitec)

- ✓ Net sales rose 2.5% year on year, operating profit was up 8.7% YoY, and number of engineers increased 2.5% YoY.
- ✓ The utilization ratio declined 0.3% year on year ⇒ Due to a greater number of newly graduated engineers compared with the previous year.

(Fractions of one million yen are rounded down)	FY ended March. 31, 2018	FY ended March. 31, 2019	YoY Amount	% Change	Past Forecast	Progress toward the FY forecast
Net sales	72,252	74,036	+ 1,784	+ 2.5%	73,300	+ 736
Cost of sales	53,861	54,620	+ 759	+ 1.4%	54,100	+ 520
Cost of sales to Net sales	74.5%	73.8%	(0.7%)		73.8%	—
SG&A Expenses	9,048	9,258	+ 209	+ 2.3%	9,600	(342)
Operating profit	9,342	10,157	+ 815	+ 8.7%	9,600	+ 557
Operating profit margins	12.9%	13.7%	+ 0.8%		13.1%	+ 0.6%
Ordinary profit	10,105	10,921	+ 815	+ 8.1%	10,300	+ 621
Extraordinary income & loss	102	(35)	(138)			
Profit before income taxes	10,208	10,885	+ 677	+ 6.6%		
Profit	7,461	7,768	+ 307	+ 4.1%	7,200	+ 568
Utilization ratio (Company-wide)	97.8%	97.5%	(0.3%)		97.2%	+ 0.3%
Working Hours<h/day>	8.70	8.62	(0.08)	(0.9%)	8.58	+ 0.04
Number of Recruitment	446	520	+ 74	+ 16.6%	517	+ 3
Newly graduated	308	357	+ 49	+ 15.9%	357	—
Mid-career	138	163	+ 25	+ 18.1%	160	+ 3
Turnover Ratio	5.2%	5.0%	(0.2%)		5.0%	—
Number of Engineers	6,755	6,923	+ 168	+ 2.5%		

- This shows results for Meitec.
- Net sales increased 2.5% year on year to ¥74,036 million and operating profit rose 8.7% year on year to ¥10,157 million, mainly reflecting growth in the number of engineers assigned to clients. Profit increased 4.1% year on year to ¥7,768 million.
- The number of engineers increased 2.5% year on year.
- The utilization ratio declined 0.3 percentage points year on year to 97.5% due to the greater number of newly graduated engineers joining the company in April 2018 than in the previous fiscal year.
- Concerning the working hours, I will discuss this in more detail later on.

## Results for the Fiscal Year Ended March 31, 2019 (Meitec Fielders)

- ✓ Net sales rose 13.9% year on year, operating profit was up 19.1% YoY, and number of engineers increased 13.1%.
- ✓ Profit increased 25.2% year on year, reflecting a reduction in the tax burden.

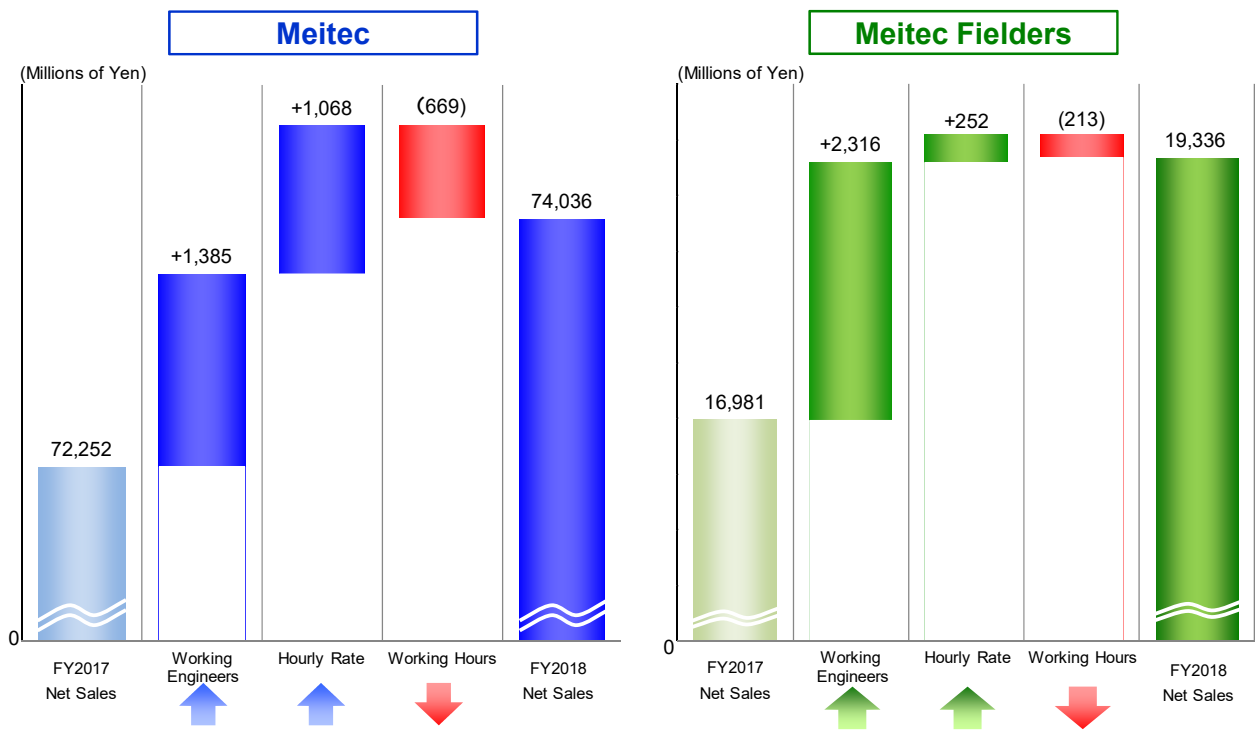
(Fractions of one million yen are rounded down)	FY ended March. 31, 2018	FY ended March. 31, 2019	YoY Amount	% Change	Past Forecast	Progress toward the FY forecast
Net sales	16,981	19,336	+2,354	+13.9%	19,000	+336
Cost of sales	13,173	14,941	+1,768	+13.4%	14,650	+291
Cost of sales to Net sales	77.6%	77.3%	(0.3%)		77.1%	+0.2%
SG&A Expenses	2,351	2,660	+309	+13.1%	2,700	(40)
Operating profit	1,456	1,734	+277	+19.1%	1,650	+84
Operating profit margins	8.6%	9.0%	+0.4%		8.7%	+0.3%
Ordinary profit	1,452	1,735	+282	+19.5%	1,650	+85
Extraordinary income & loss	1	0	(1)			
Profit before income taxes	1,453	1,735	+281	+19.3%		
Profit	1,031	1,291	+259	+25.2%	1,050	+241
Utilization ratio (Company-wide)	95.7%	96.1%	+0.4%		96.0%	+0.1%
Working Hours<h/day>	8.78	8.67	(0.11)	(1.3%)	8.64	+0.03
Number of Recruitment	517	524	+7	+1.4%	483	+41
Newly graduated	213	203	(10)	(4.7%)	203	—
Mid-career	304	321	+17	+5.6%	280	+41
Turnover Ratio	8.8%	8.6%	(0.2%)		8.7%	(0.1%)
Number of Engineers	2,310	2,612	+302	+13.1%		

10

- This shows results for Meitec Fielders.
- Net sales increased 13.9% year on year to ¥19,336 million and operating profit rose 19.1% year on year to ¥1,734 million, mainly reflecting an increase in the number of engineers assigned to clients, as with Meitec. Profit increased 25.2% year on year to ¥1,291 million, reflecting the reduction in the tax burden in the previous fiscal year.
- The number of engineers increased 13.1% year on year.
- The utilization ratio increased 0.4% year on year to 96.1%, reflecting steady progress in assignments of newly graduated engineers and existing engineers.
- Concerning the detail of working hours, 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”

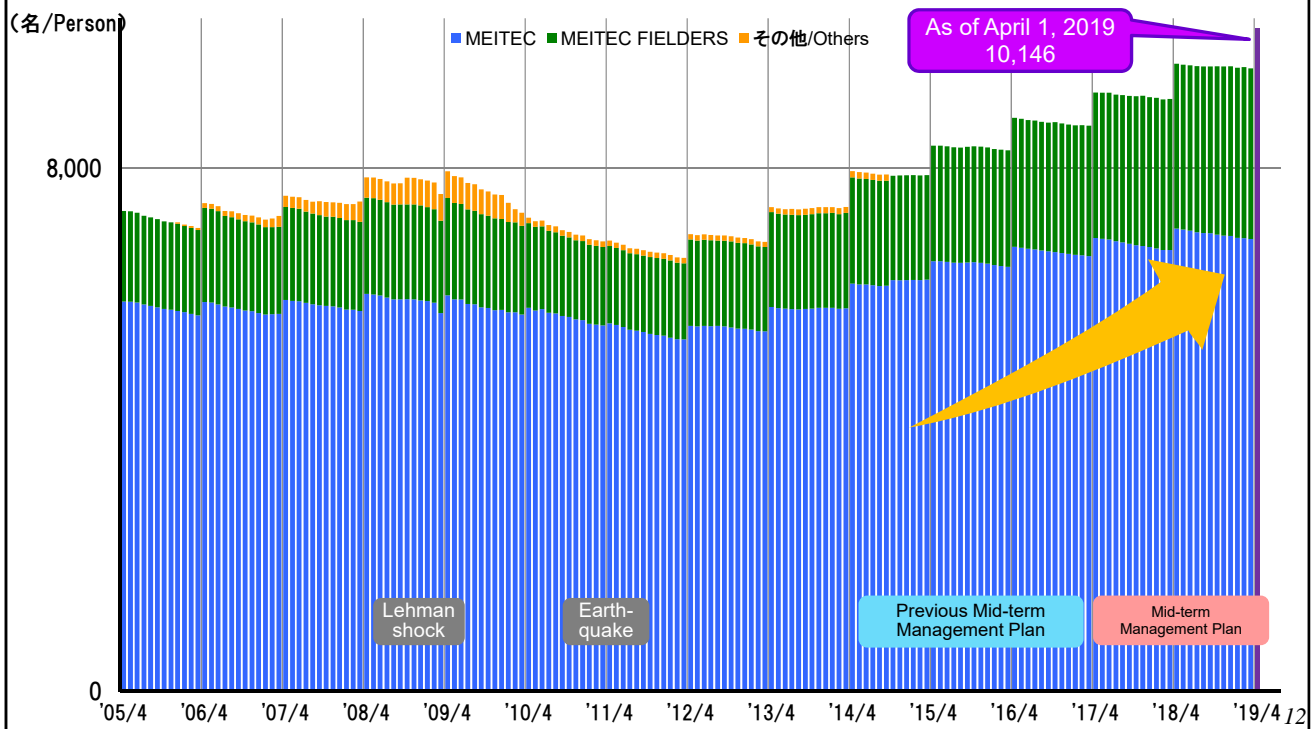


- This is a breakdown of factors affecting changes in net sales at Meitec and Meitec Fielders.
- The main factors that lifted net sales at both companies were “increase in the number of engineers assigned to clients,” and “increase in average pay rate” as shown in the graph.



## Number of Engineers (Group Consolidated)

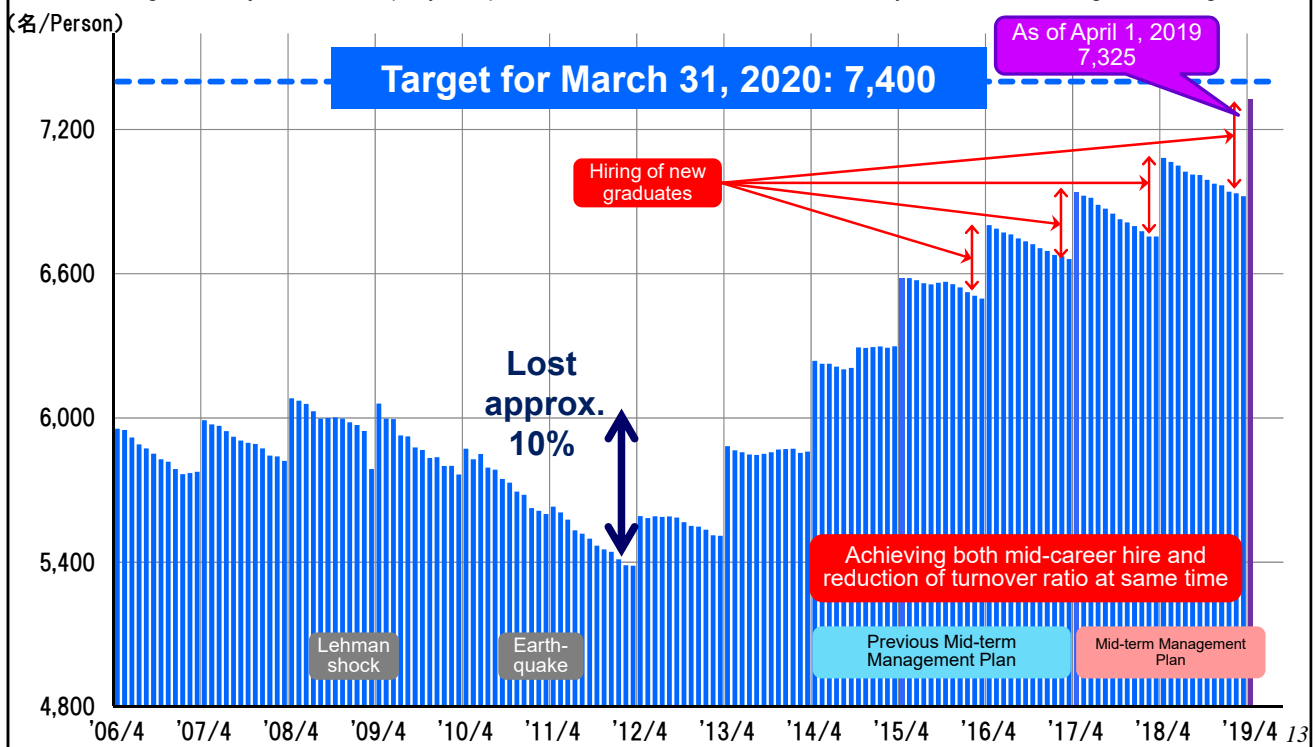
- ✓ The number of engineers as of March 31, 2019 was 9,535, an increase of 470 engineers, or 5.2%, compared to March 31, 2018.
- ✓ As of April 1, 2019, the number of engineers has reached 10,146 engineers, which is a record high.



- This shows the trend in the number of engineers across the Group.
- As of March 31, 2019, the number of engineers was 9,535, increased 470, or 5.2%, compared to March 31, 2018. On April 1, 2019, new graduates joined the Group and we started the new fiscal year with a record high 10,146 engineers.
- The number of engineers at both Meitec and Meitec Fielders is steadily increasing.

## Number of Engineers (Meitec)

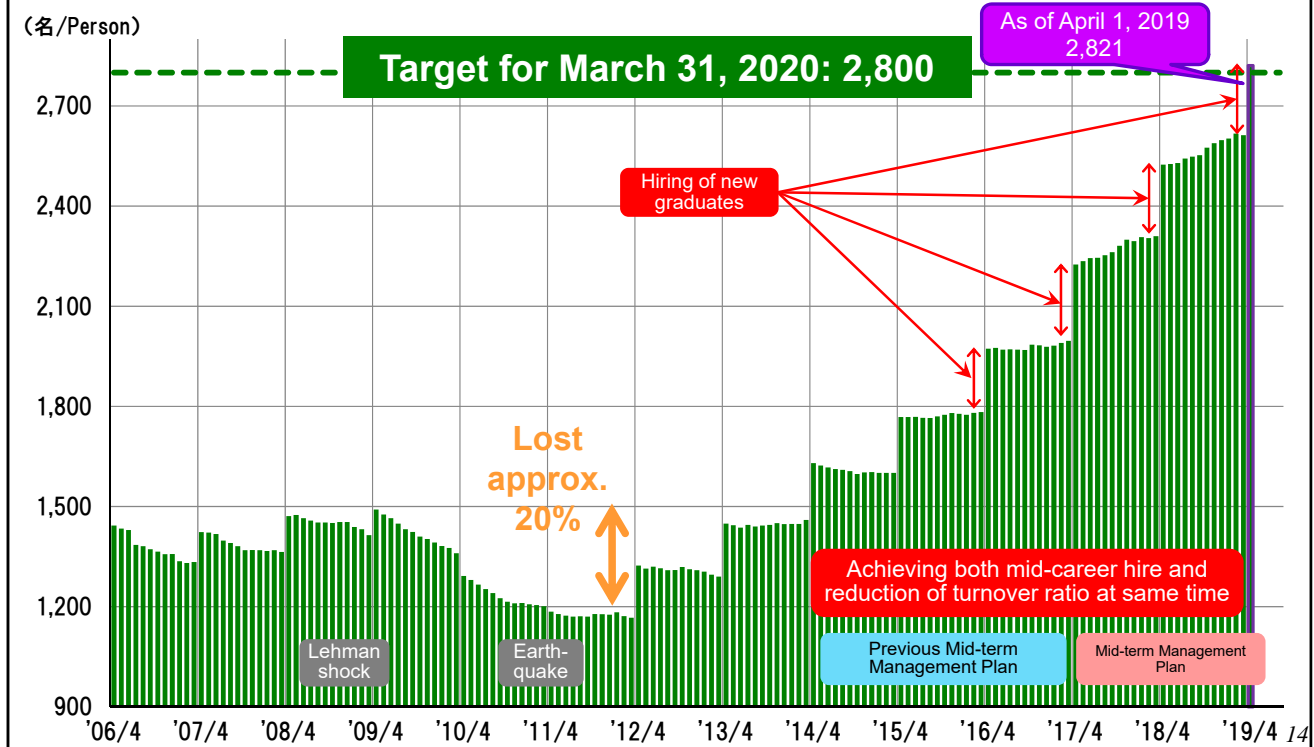
- ✓ The number of engineers as of March 31, 2019 was 6,923, an increase of 168 engineers, or 2.5%, compared to March 31, 2018.
- ✓ 418 new graduates joined the company on April 1, 2019, and we started the new fiscal year with a record high 7,325 engineers.



- This shows the trend in the number of engineers at Meitec.
- As of March 31, 2019, the number of engineers was 6,923, increased 168, or 2.5%, compared to March 31, 2018. On April 1, 2019, 418 new graduates joined the company and we started the new fiscal year with a record high 7,325 engineers.
- Another 75 engineers are required to reach the target of 7,400 engineers by March 31, 2020 set forth in the Mid-term Management Plan. Going forward, we see balancing mid-career hires and reduction of the turnover ratio as the key point.

## Number of Engineers (Meitec Fielders)

- ✓ The number of engineers as of March 31, 2019 was 2,612, an increase of 302 engineers, or 13.1%, compared to March 31, 2018.
- ✓ 198 new graduates joined the company on April 1, 2019, and we started the new fiscal year with a record high 2,821 engineers.



- This shows the trend in the number of engineers at Meitec Fielders.
- As of March 31, 2019, the number of engineers was 2,612, increased 302, or 13.1%, compared to March 31, 2018.
- On April 1 2019, 198 new graduates joined the company, and it reached a record high 2,821 engineers, which exceeded the target of 2,800 engineers by March 31, 2020 set forth in the Mid-term Management Plan. However, as with Meitec, in the coming year we see balancing mid-career hires and reduction of the turnover ratio as the key point in achieving the target.

**Mid-career (FY 2019/3)**

- ✓ The number of placements for job seekers wishing to change to careers at manufacturers continues to rise and there is no end in sight to corporate demand for hiring. ⇒The hiring market continues to be intensifying.
- ✓ Under these conditions, Meitec continued to hire engineers in line with order trends, mainly in the mechanical and electrical/electronics sectors, by maintaining hiring standards and the assumption of ensuring engineers can be assigned smoothly.
- ✓ The number of mid-career hires was 163, 3 more than the initial forecast, for Meitec. On the other hand, it was 321, 41 more than the initial forecast, for Meitec Fielders as a result of its recruitment activity which aimed to “expand growth in a wide range of businesses.”

**New Graduates (Joined April 2019)**

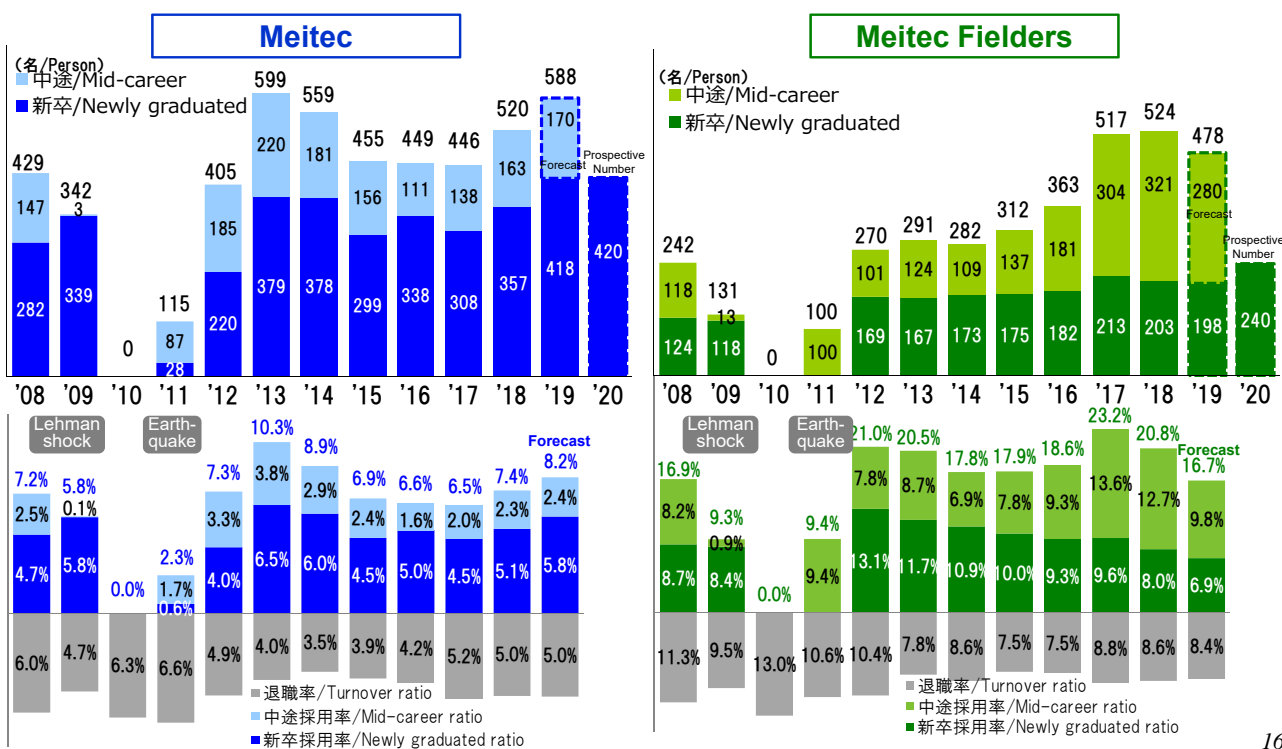
- ✓ With the challenging hiring environment made tougher by companies’ rising eagerness to hire new graduates, we focused on the trends of the new-graduate generation and progressed our hiring activities while maintaining our hiring standards.
- ✓ Applicants are narrowing down the sectors they pursue earlier than before, and people’s preference to work locally remains strong. So it has been difficult to secure the number of applicants.
- ✓ The number of the new graduates hired was 418, 18 more the initial forecast, for Meitec. On the other hand, it was 198, 42 less the initial forecast, for Meitec Fielders.

(person)	Fiscal Year Ended March 31, 2019						Fiscal Year Ending March 31, 2020					
	New Graduates April 2018	Mid-career			Total	YoY	New Graduates April 2019					
		Initial Forecast		To Initial Forecast			Initial Forecast	11/6/18 Expected Number		To Initial Forecast	YoY	
Meitec	357	160	163	+3	520	+74	400	424	418	+18	+61	
Meitec Fielders	203	280	321	+41	524	+7	240	205	198	(42)	(5)	
Total	560	440	484	+44	1,044	+81	640	629	616	(24)	+56	
Comparison to previous year	+39	(2)	+42		+81			To 11/6/18 Revised Forecast	(13)			

- This shows the recruitment trends for the Group.
- The hiring market remains challenging, as there is no end in sight to corporate demand for hiring engineers.
- First, mid-career hires.
- Meitec competes with major manufacturers in hiring. As a result of continuing our hiring activities while maintaining our hiring standards, we hired 163 engineers, 3 more than our initial forecast.
- As a result of Meitec Fielders’ recruitment activity which aimed to “expand growth in a wide range of businesses,” the number of mid-career hires was 321, 41 more than the initial forecast. The Group as a whole secured 484 mid-career hires, which was 44 more than the previous fiscal year.
- Next, newly graduated engineers.
- Recruitment conditions were very challenging in this market such as an increase in the number of job openings and in the number of employees required. As a result of hiring activities maintaining our hiring standards, the Group recruited 616 newly graduated engineers, 24 fewer than the previous year, comprising 418 at Meitec, 18 more than the initial forecast, and 198 at Meitec Fielders, 42 fewer than the initial forecast.

# Recruitment and Turnover

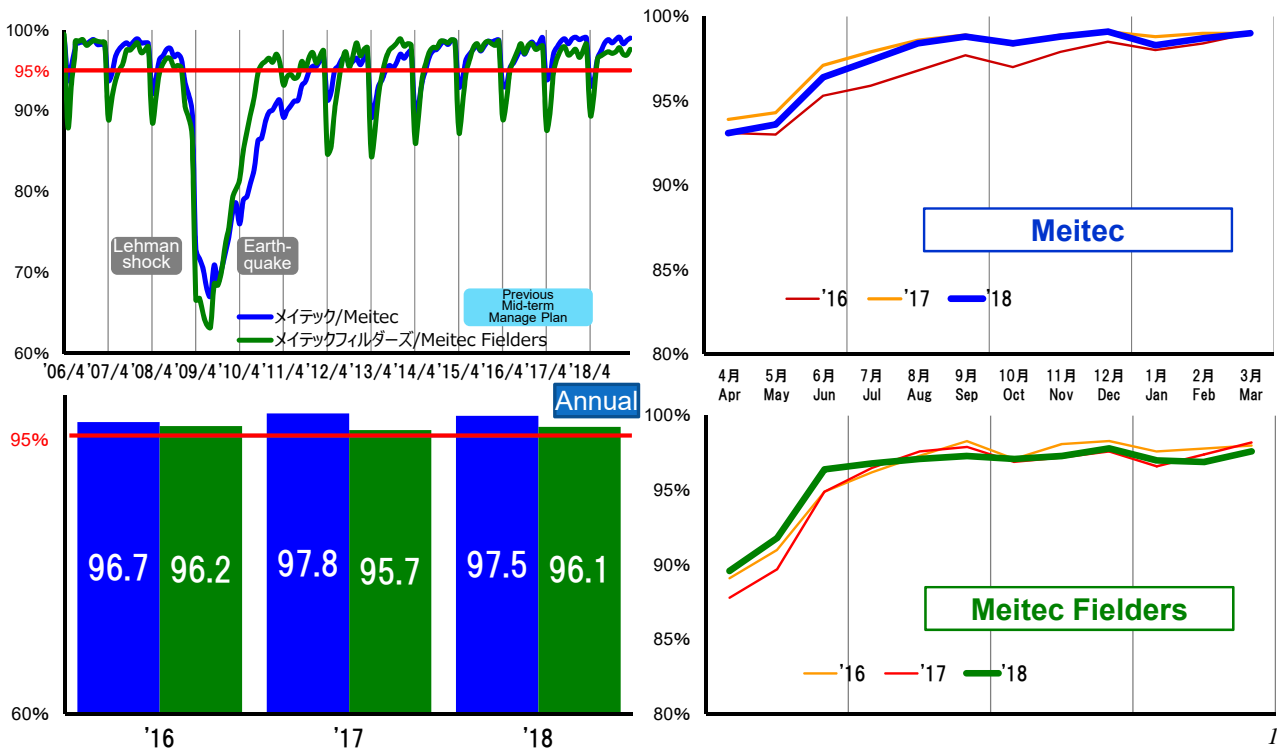
✓ The hiring environment is challenging, but we maintained hiring standards.



- This shows trends in the number of recruitment and ratios for recruitment and turnover.
- In the fiscal year ended March 31, 2019, Meitec maintained its hiring standards. Consequently, the recruitment ratio was 7.4%, and the growth rate increased slightly.
- The turnover ratio remained low at 5.0%, a slight decrease versus the previous year, which contributed to increasing the number of engineers.
- Meitec Fielders' recruitment ratio in the fiscal year ended March 31, 2019, was 20.8%, and the growth rate declined slightly. The turnover ratio was 8.6%, which contributed to increasing the number of engineers.
- We will explain our forecasts for the fiscal year ending March 31, 2020 later in this presentation.

# Utilization Ratio

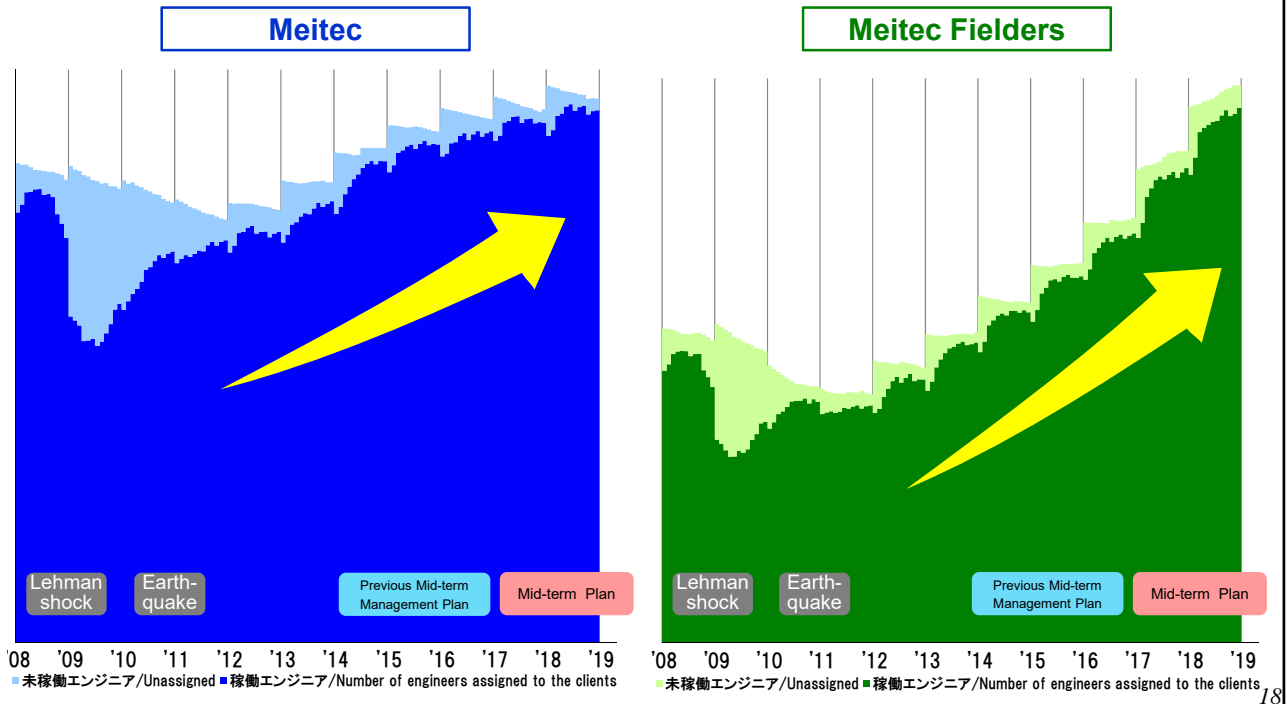
✓ Under a firm environment for order, the utilization ratio remained high.



- This shows the trend in utilization ratios.
- Amid a firm order environment, the utilization ratio for both Meitec and Meitec Fielders was stable, reflecting steady progress in assignments of newly graduated engineers and existing engineers.

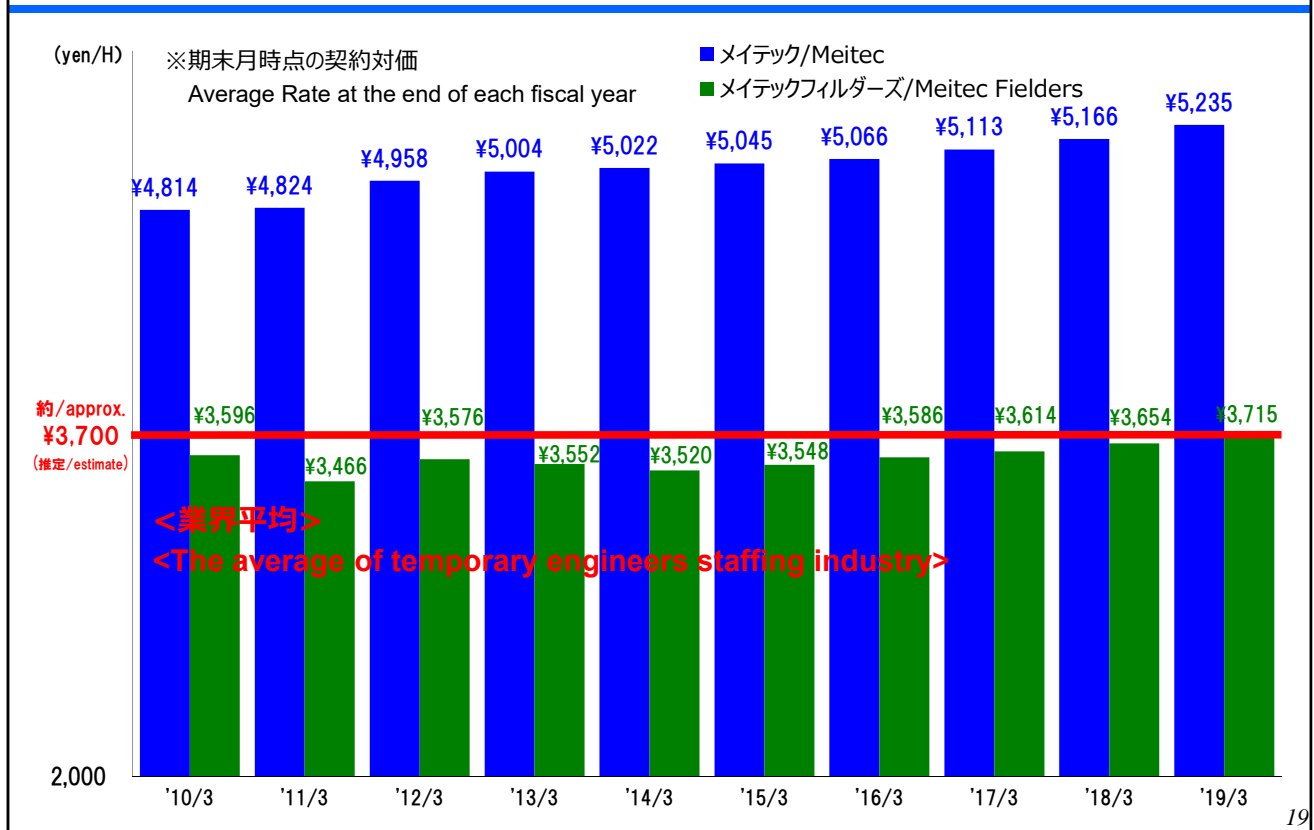
## Number of Engineers Assigned to the Clients (Key factor of Sales)

- ✓ 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, which is the “number of engineers” and “utilization ratio,” is growing steadily, as the number of engineers increased and the utilization ratio remained high.

## Trend in Average Rate = (Market Value)

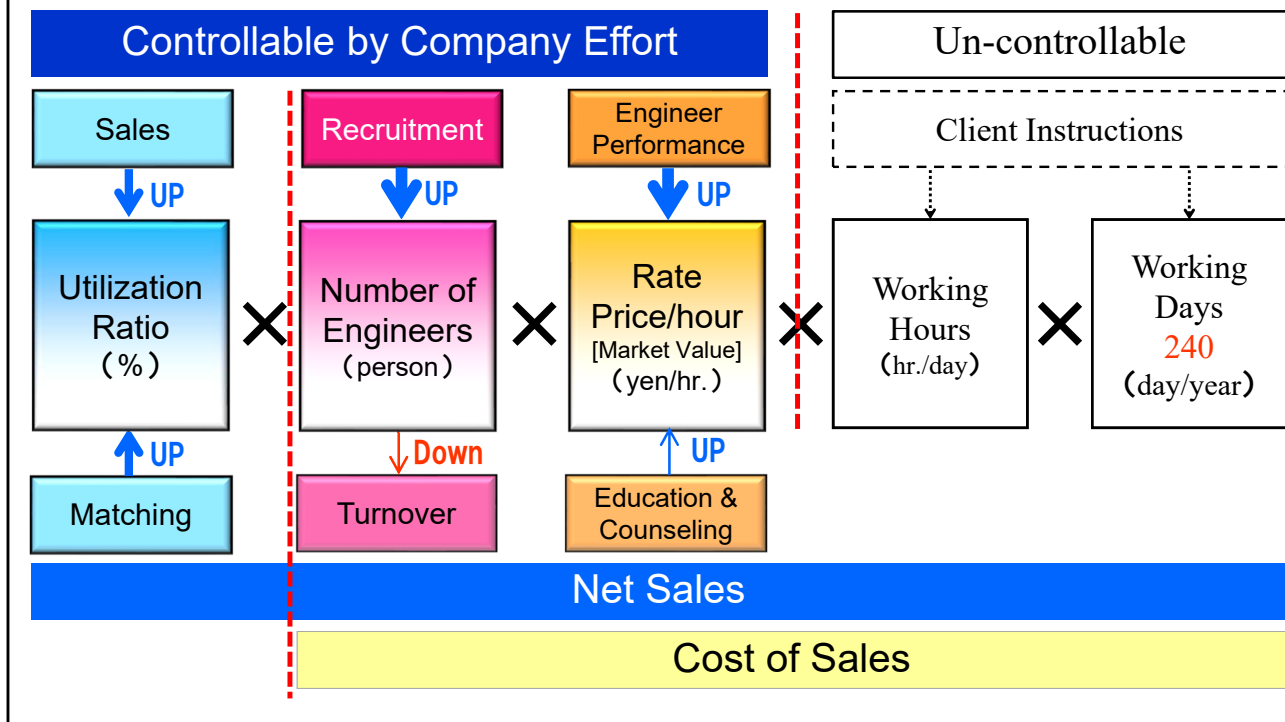


- This shows the trend in average pay rates for engineers.
- As a leading company in the sector, Meitec has committed to maintaining high quality levels. Consequently, Meitec reached an average pay rate level of ¥5,200, which is significantly higher than the industry average. We believe it is essential to maintain hiring standards to ensure the average pay rate remains high.
- Meitec Fielders has maintained an average rate that is at the industry average.
- Going forward, we will continue to work on obtaining an appropriate rate. Specifically, rather than obtaining a rate based on supply and demand, we will create conditions in which every one of our engineers can secure fair pay rates based on high output.



## 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.

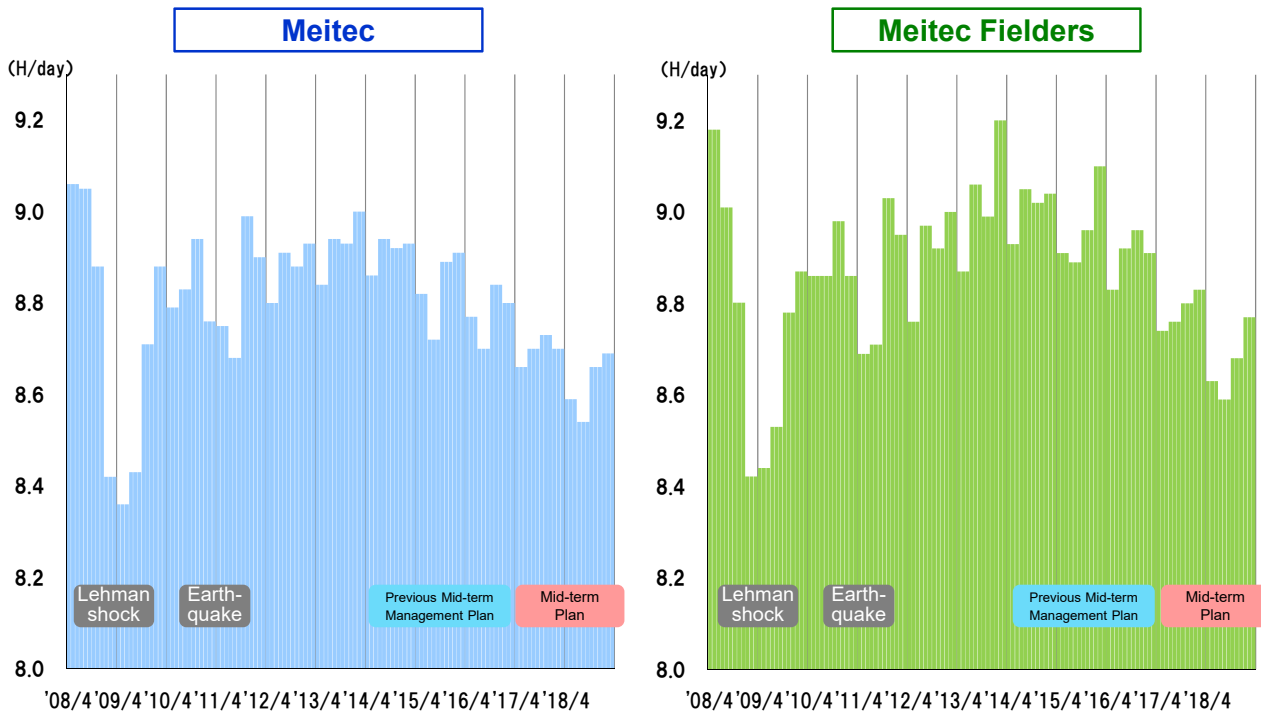


20

- This is a summary of the main components of net sales and cost of sales in the temporary staffing business for engineers for the indefinite and regular employed engineers.
- In the results for the fiscal year ended March 31, 2019, the aspects which are controllable by company effort, "Utilization Ratio," "Number of Engineers," and "Rate and Price/hour" all were factors in increased net sales.
- We will continue to focus on "Working Hours," which is outside the company's control, as an important indicator.

# Working Hours

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

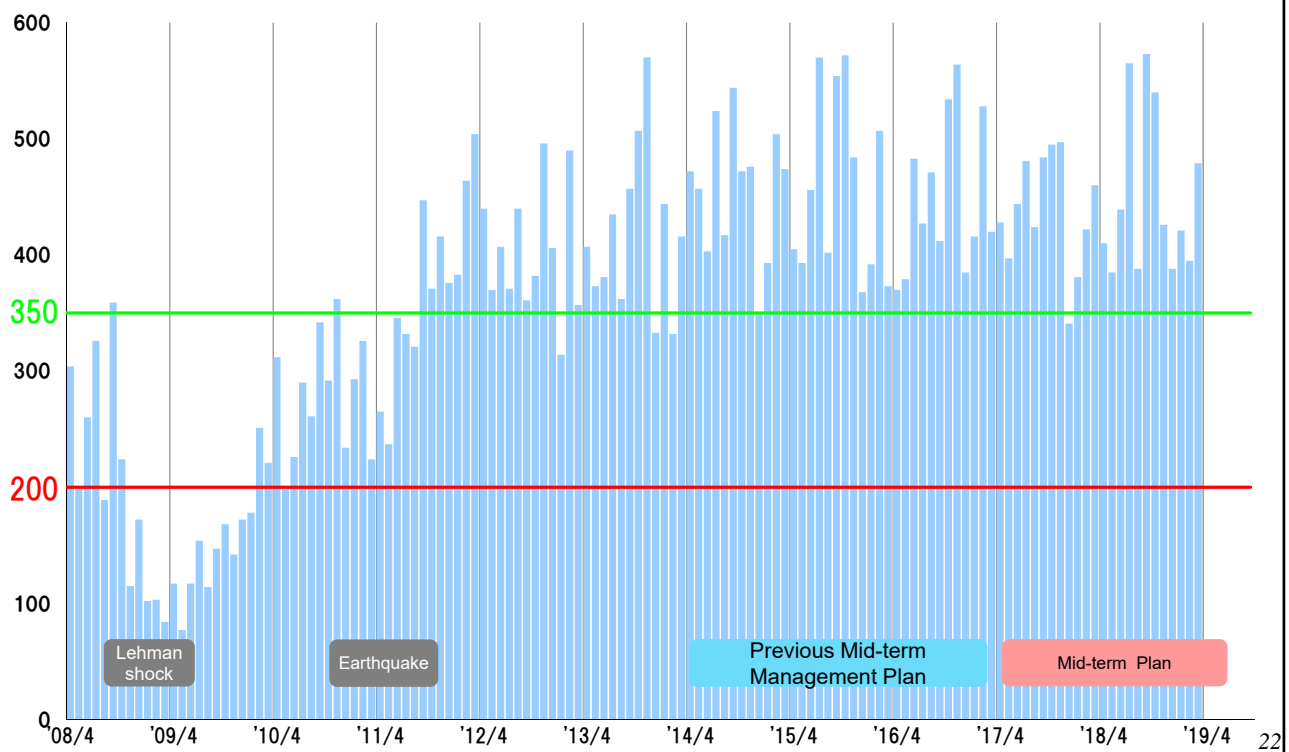


21

- This shows the trend in working hours.
- Continuing from last year, working hours declined year on year due to reductions in overtime hours. However, working hours slightly exceeded our forecast as we revised our forecast in November 2018 considering the effects of natural disasters and other factors on first-half results.
- 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



- 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, we feel that clients in the manufacturing industry are investing in technological development based on a long-term outlook.

## 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)

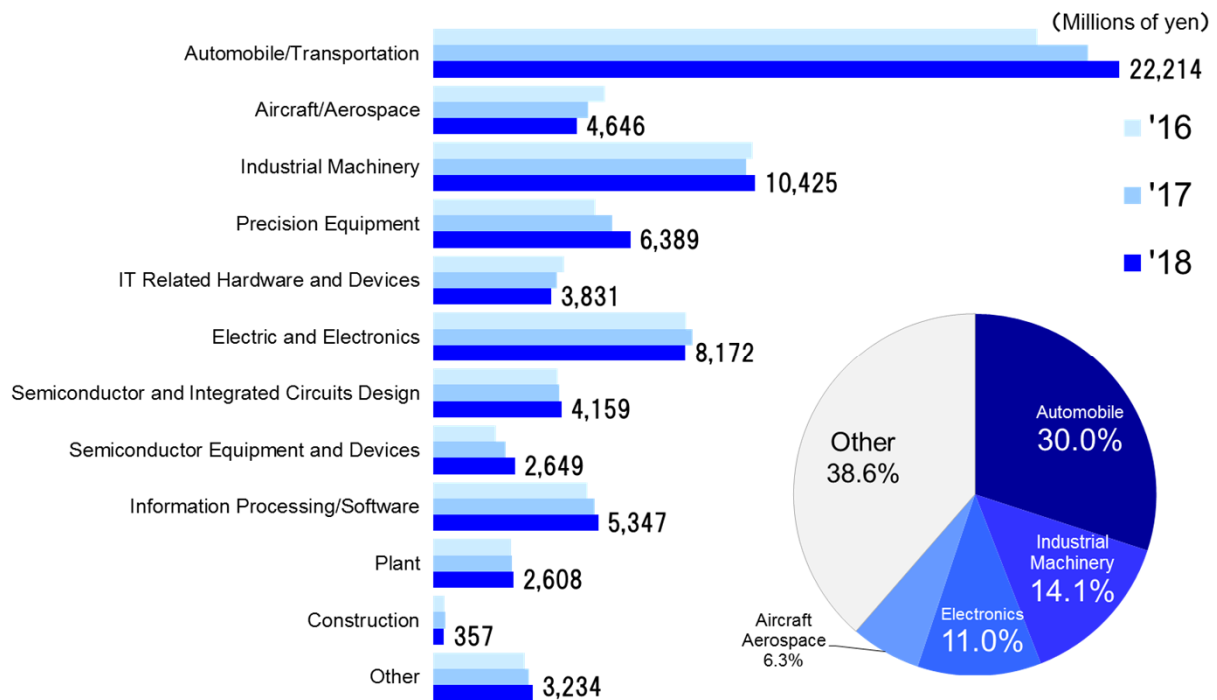
FY2013			FY2017			FY2018		
1	Mitsubishi Heavy Industries		1	Mitsubishi Heavy Industries		1	Denso	
2	Denso		2	Denso		2	Mitsubishi Heavy Industries	
3	Canon		3	Canon		3	Panasonic	
4	Nikon		4	Panasonic		4	Toyota Motor	
5	Panasonic		5	Toyota Motor		5	Sony Semiconductor Solutions	
6	Toyota Motor		6	Sony Semiconductor Solutions		6	Canon	
7	Kawasaki Heavy Industries		7	Nikon		7	Nikon	
8	Sony		8	Autoliv		8	Honda R&D	
9	Omron		9	Honda R&D		9	Olympus	
10	Toshiba		10	Omron		10	Omron	
Top 10 Total	16,342	27.8%	Top 10 Total	17,654	24.4%	Top 10 Total	17,910	24.2%
Top 20 Total	22,708	38.6%	Top 20 Total	25,282	35.0%	Top 20 Total	25,607	34.6%
Others	36,168	61.4%	Others	46,970	65.0%	Others	48,430	65.4%
Total	58,876	100.0%	Total	72,252	100.0%	Total	74,036	100.0%

23

- This shows Meitec's top 10 clients by sales.
- There have been some changes in the order, but there have been no major changes in the clients making up the top 10.
- While continuing to intentionally rotate engineers to growth sectors, fields, and new technological areas based on the new projects and new development themes of our clients, 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 that 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)



24

- This shows sales trends by industrial segment.
- Sales growth in the automobile/transportation segment remained pronounced, a trend we also saw in the previous fiscal year.
- 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.

## 2. Progress on Mid-term Management Plan

### *Next Stage 1*

- I will now discuss the progress made during second year of the Mid-term Management Plan.
- In the three-year plan starting from the fiscal year ended March 31, 2018, Meitec Group worked on initiatives to further differentiate itself as a group of engineers, that plays a core role in manufacturing through its people and technology, with the high-end zone as our main focus, and realize sustainable growth.

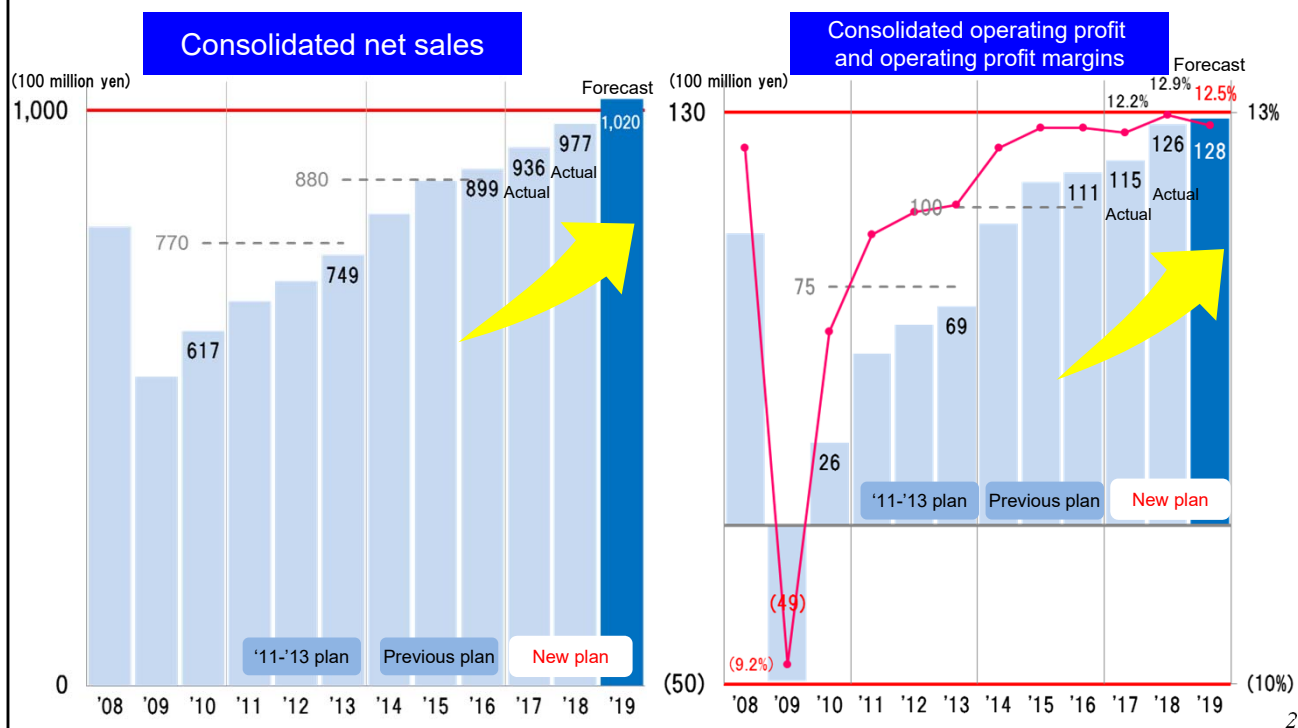
(Billion Yen)		FY2017	FY2018	FY2019	Mid-term Management Plan
		Actual	Actual	Forecast	Target
<b>Group Consolidated</b>	<b>Net Sales</b>	93.6	97.7	<b>102.0</b>	<b>100.0</b>
	<b>Operating Profit</b>	11.5	12.6	<b>12.8</b>	<b>13.0</b>
	<b>Margin</b>	12.2%	12.9%	<b>12.5%</b>	<b>13.0%</b>
	<b>Profit</b>	8.1	8.8	<b>8.7</b>	<b>9.0</b>
	<b>ROE</b>	20.9%	21.4%	<b>20.2%</b>	<b>20.0%</b>
<b>Meitec</b>	<b>Net Sales</b>	72.3	74.0	<b>76.0</b>	<b>78.0</b>
	<b>Operating Profit</b>	9.3	10.2	<b>10.3</b>	<b>10.0</b>
	<b>Margin</b>	12.9%	13.7%	<b>13.6%</b>	<b>13.0%</b>
<b>Meitec Fielders</b>	<b>Net Sales</b>	17.0	19.3	<b>21.0</b>	<b>20.0</b>
	<b>Operating Profit</b>	1.5	1.7	<b>1.7</b>	<b>1.7</b>
	<b>Margin</b>	8.6%	9.0%	<b>8.1%</b>	<b>9.0%</b>

26

- Progress in the second year was generally in line with our initial forecasts.
- The operating margin remains an issue in the forecast for the fiscal year ending March 31, 2020. I will touch on the details and assumptions behind the forecast for the current fiscal year.

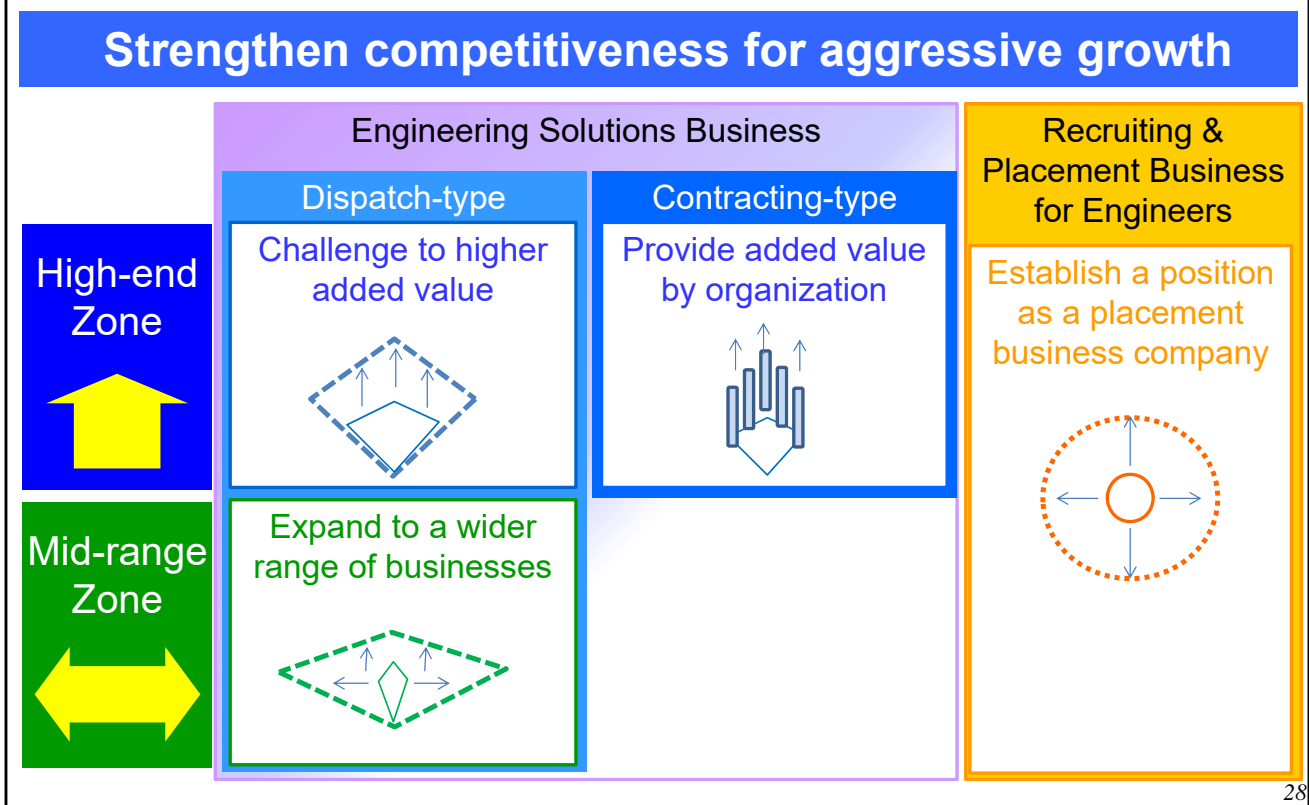
# Next Stage 1 Performance Targets

✓ Our consolidated forecasts for the FY 2019 are net sales of 102.0 billion yen, operating profit of 12.8 billion yen, and operating profit margins of 12.5%.



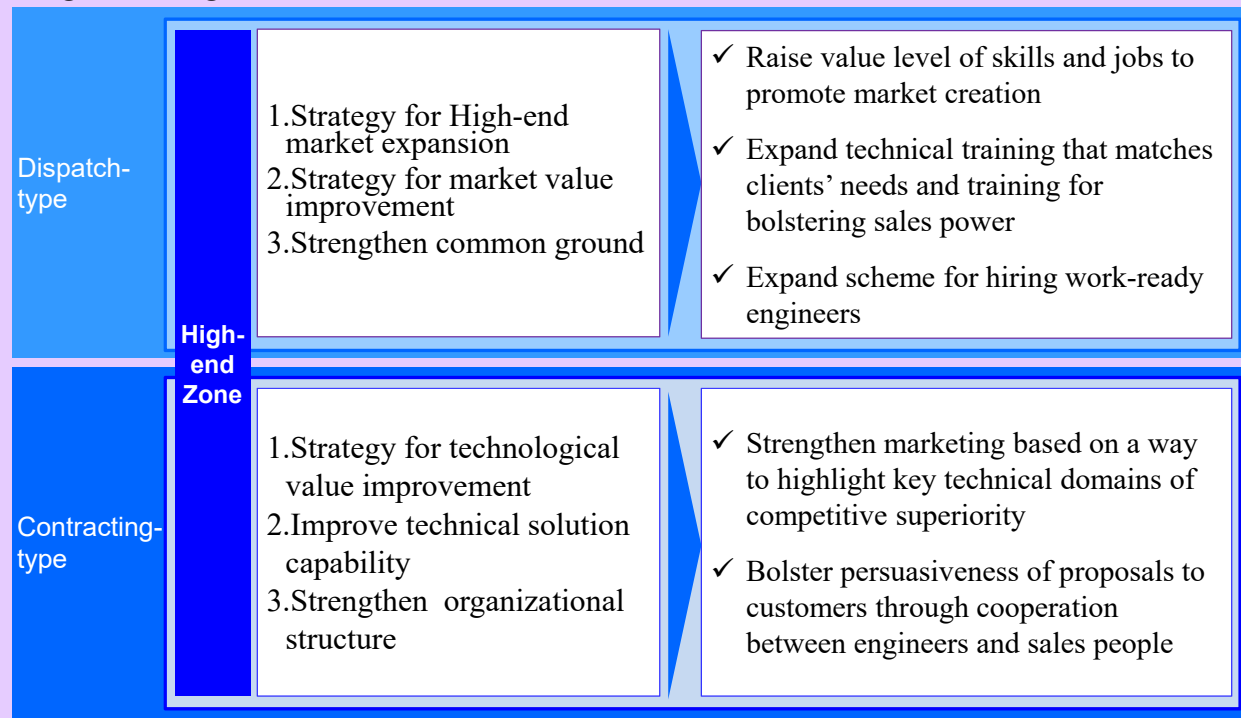
- Our targets for net sales, operating profit, and operating margin for the third year of the Mid-term Management Plan are shown in the graph above.
- We forecast record net sales of ¥102.0 billion, and operating profit of ¥12.8 billion.
- While net sales will achieve the target values set forth in the Mid-term Management Plan, this is mainly due to the expected increase in the number of engineers at Meitec Fielders.





- This slide shows the basic policy of the Mid-Term Management Plan.
- We have set a goal of strengthening competitiveness for aggressive growth, which we will continue to pursue in the Engineering Solutions Business and Recruiting & Placement Business for Engineers led by Meitec in the High-end Zone.

Engineering Solutions Business



29

- This slide shows the progress in the High-end Zone for the dispatch-type and contracting-type services in the Engineering Solutions Business.
- The statuses of progress for each strategy are noted on the slide.
- Even within the zone focused on the high-end, we will further bolster our areas with even more technologically sophisticated operational phases.

### Engineering Solutions Business

Dispatch-type

Mid-range Zone

- 1.Strategy for existing market expansion
- 2.Strategy for new market development
- 3.Strategy for strengthening business operation system

- ✓ Expand the fields of business and strengthen expansion of existing markets
- ✓ Focus on particular product and technology fields and promote creation of new markets

### Recruiting & Placement Business for Engineers

- 1.Strategy for existing market expansion
- 2.Strategy for new market development
- 3.Function building strategy

- ✓ Reorganize the sales team and strengthen our capability to find and fill more job offers
- ✓ Expand the number of job seekers by increasing the range of advertising tools, etc.
- ✓ Identify additional focus areas and increase the total number of engineers assigned to clients

30

- Next, I will discuss the progress in the dispatch-type Mid-range Zone and the Recruiting & Placement Business for Engineers.
- In the dispatch-type Mid-range Zone, we aim to expand into an even wider range of businesses by further improving on our current responses to clients' needs.
- In the Recruiting & Placement Business for Engineers, we will broaden the existing market area to expand our market share in "recruiting and placement of Engineers" and aim for the status of "Engineer support No.1."

### 3. Forecast for the Fiscal Year Ending March 31, 2020

人と技術で次代を拓く  
**MEITEC**  
Engineering Firm at The Core

- I will now discuss our forecasts for the fiscal year ending March 31, 2020.

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

- ✓ Net sales is expected to rise 4.4% year on year to 102.0 billion yen, operating profit is expected to be up 1.3% YoY to 12.8 billion yen, and profit attributable to owners of parent is expected to fall 1.5% YoY to 8.7 billion yen.
- ✓ SG&A expenses increased 13.4% year on year ⇒ Due to the increase in hiring expenses and system costs, etc.

	Forecast FY ending March 31, 2020	YoY Amount	% Change	Forecast 1st half ending Sept.30, 2019	YoY Amount	% Change	Forecast 2nd Half
Net sales	102,000	+4,263	+4.4%	49,700	+2,078	+4.4%	52,300
Cost of sales	74,000	+2,298	+3.2%	36,400	+1,111	+3.1%	37,600
SG&A Expenses	15,200	+1,800	+13.4%	7,500	+994	+15.3%	7,700
Operating profit	12,800	+164	+1.3%	5,800	(27)	(0.5%)	7,000
Operating profit margins	12.5%	(0.4%)		11.7%	(0.5%)		13.0%
Ordinary profit	12,800	+156	+1.2%	5,800	(30)	(0.5%)	7,000
Profit attributable to owners of parent	8,700	(129)	(1.5%)	3,800	(85)	(2.2%)	4,900
Earnings per Share	311.77	(3.66)		136.18	(2.21)		

32

- This shows our consolidated forecasts for the Group.
- We forecast net sales of ¥102.0 billion, up 4.4% year on year, and operating profit of ¥12.8 billion, up 1.3% year on year.
- We expect profit attributable to owners of parent to decline 1.5% year on year to ¥8.7 billion, reflecting the absence of the reduction in the tax burden.
- We are expecting a 13.4% year on year increase in SG&A expenses. I will explain the reason for this later in the forecasts for individual company.

## Forecast for the Fiscal Year Ending March 31, 2020 (Meitec)

- ✓ Net sales is expected to rise 2.7% year on year, operating profit is expected to be up 1.4% YoY, and profit attributable to owners of parent is expected to increase 1.7% YoY.
- ✓ SG&A expenses increased 10.2% year on year ⇒ Due to the increase in hiring expenses and system costs, etc.

(Fractions of one million yen are rounded down)	Forecast FY ending March 31, 2020	YoY Amount	% Change	Forecast 1st half ending Sept.30, 2019	YoY Amount	% Change	Forecast 2nd Half
Net sales	76,000	+1,963	+2.7%	37,000	+883	+2.4%	39,000
Cost of sales	55,500	+879	+1.6%	27,300	+330	+1.2%	28,200
Cost of sales to Net sales	73.0%	(0.8%)		73.8%	(0.9%)		72.3%
SG&A Expenses	10,200	+941	+10.2%	5,100	+597	+13.3%	5,100
Operating profit	10,300	+142	+1.4%	4,600	(44)	(0.9%)	5,700
Operating profit margins	13.6%	(0.1%)		12.4%	(0.5%)		14.6%
Ordinary profit	11,200	+278	+2.6%	5,500	+111	+2.1%	5,700
Profit	7,900	+131	+1.7%	3,800	(8)	(0.2%)	4,100
Utilization ratio (Company-wide)	96.7%	(0.8%)		95.2%	(1.0%)		98.1%
Working Hours〈h/day〉	8.62	—		8.57	+0.01		8.68
Number of Recruitment	588	+68					
Newly graduated	418	+61					
Mid-career	170	+7					
Turnover Ratio	5.0%	—					
				Target of the New Graduates to be hired for April 2020	To Apr. 2019		
				420	+2		

33

- This shows our forecasts for Meitec.
- We forecast net sales of ¥76.0 billion, up 2.7% year on year, and operating profit of ¥10.3 billion, up 1.4% year on year.
- The reasons for the increase in SG&A expenses are the expected increase in hiring expenses due to the increase in the target engineer hires, and the expected increase in system costs.
- The increase in SG&A expenses will result in lower growth in operating profit, so we are expecting a decline in the cost of sales to net sales due to the drop in the performance-linked portion of compensation for employees.
- Furthermore, the utilization ratio is expected to decline 0.8% year on year due to the expected increase in the number of recruitment.
- In light of this, we forecast profit of ¥7.9 billion, up 1.7% year on year.

## Forecast for the Fiscal Year Ending March 31, 2020 (Meitec Fielders)

- ✓ Net sales is expected to rise 8.6% year on year, operating profit is expected to decline 2.0% YoY, and profit attributable to owners of parent is expected to fall 7.1% YoY.
- ✓ SG&A expenses increased 20.3% year on year ⇒ Due to the increase in hiring expenses and system costs, etc.

(Fractions of one million yen are rounded down)	Forecast FY ending March 31, 2020	YoY Amount	% Change	Forecast 1st half ending Sept.30, 2019	YoY Amount	% Change	Forecast 2nd Half
Net sales	21,000	+ 1,663	+ 8.6%	10,200	+ 885	+ 9.5%	10,800
Cost of sales	16,100	+ 1,158	+ 7.8%	7,900	+ 654	+ 9.0%	8,200
Cost of sales to Net sales	76.7%	(0.6%)		77.5%	(0.3%)		75.9%
SG&A Expenses	3,200	+ 539	+ 20.3%	1,500	+ 243	+ 19.3%	1,700
Operating profit	1,700	(34)	(2.0%)	800	(12)	(1.5%)	900
Operating profit margins	8.1%	(0.9%)		7.8%	(0.9%)		8.3%
Ordinary profit	1,700	(35)	(2.0%)	800	(12)	(1.6%)	900
Profit	1,200	(91)	(7.1%)	560	(1)	(0.3%)	640
Utilization ratio (Company-wide)	95.6%	(0.5%)		94.1%	(0.7%)		97.0%
Working Hours<h/day>	8.67	—		8.61	—		8.72
Number of Recruitment	478	(46)					
Newly graduated	198	(5)					
Mid-career	280	(41)					
Turnover Ratio	8.6%	—					
				Target of the New Graduates to be hired for April 2020	To Apr. 2019		
				240	+ 42		

34

- This shows our forecasts for Meitec Fielders.
- We forecast net sales of ¥21.0 billion, up 8.6% year on year. In line with an expected increase in SG&A expenses, we forecast operating profit of ¥1.7 billion, down 2.0% year on year.
- As with Meitec, the cost of sales to net sales is forecast to decline 0.6% year on year.
- We are expecting SG&A expenses to increase 20.3% year on year.
- We forecast profit of ¥1.2 billion, down 7.1% year on year, due to these factors and the absence of the impact of the reduction in the tax burden that occurred in the previous fiscal year.

# Hiring Target for the Fiscal Year Ending March 31, 2020

## Mid-career (FY 2020/3)

- Hiring environment is expected to remain difficult as there is no end in sight to demand for hiring engineers by manufacturers and others.
- ✓ We will continue activities while maintaining our hiring standards.
- ✓ Bolster the ability to attract applicants by having people understand the fact that our business continually generates lifetime professional engineers

## New Graduates (Joined April 2020)

- In the continuing seller's market, companies are beginning their hiring activities earlier and competition for talent is intensifying.
  - ✓ Show students the appeal of a lifetime professional engineering career through internship programs, etc.
  - ✓ Continue hiring activities that value applicants' preferences
- ※Due to the nature of solutions provided by our engineer's involvement with the state-of-the-art technology and the latest product at the design and development department, hiring standard can not be lowered.

(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 Previous Year	<Target>	Comparison to Previous Year	<Target>	Comparison to Previous Year
Meitec	418	170	+7	588	+68	420	+2
Meitec Fielders	198	280	(41)	478	(46)	240	+42
Total	616	450	(34)	1,066	+22	660	+44

35

- This shows our hiring target.
- We expect the hiring environment to remain extremely challenging, as there is no end in sight to strong corporate demand for hiring resulting from the shortage of engineers.
- For new graduate recruitment, we have set a hiring target exceeding the number of hires last year. Meitec ranks 41<sup>st</sup> among Japanese companies, and fifth for the number of science and engineering majors, according to a ranking of hiring targets noted in a newspaper article. This illustrates how we continue to have ambitious hiring target.
- For mid-career hires, we are targeting an increase of 7 hires year on year by Meitec and a decline of 41 hires by Meitec Fielders. We lowered Meitec Fielders' hiring target year on year, as we aim to continue our hiring activities with our hiring standards unchanged, on the assumption of smooth assignments under the difficult hiring environment.
- We aim to achieve our high targets by maintaining the hiring standard and by continuing hiring activities that value applicants' preferences.



# Basic Policy Regarding Profit Distribution

✓ Revised upper limit for holding treasury shares on Nov. 2018: 5% of shares issued(Before revision: 2 million shares)

Revised Nov. 2018 Revised May 2017 Revised May 2014 <b>Profit distribution policy</b>	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)	
	<b>Total Return Ratio : Basically within 100%</b>	
<b>Dividend</b>	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	<b>Acquire : Carry out as appropriate, taking the total return ratio and dividend payout ratio levels into consideration</b>	
	<b>Possess</b> <b>Maximum of 5% of shares issued</b>	Retired Excess above maxim to be retired by the end of the fiscal year

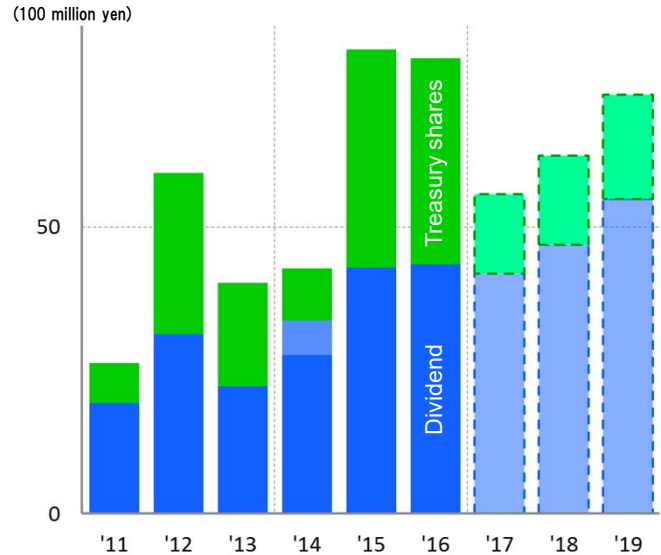
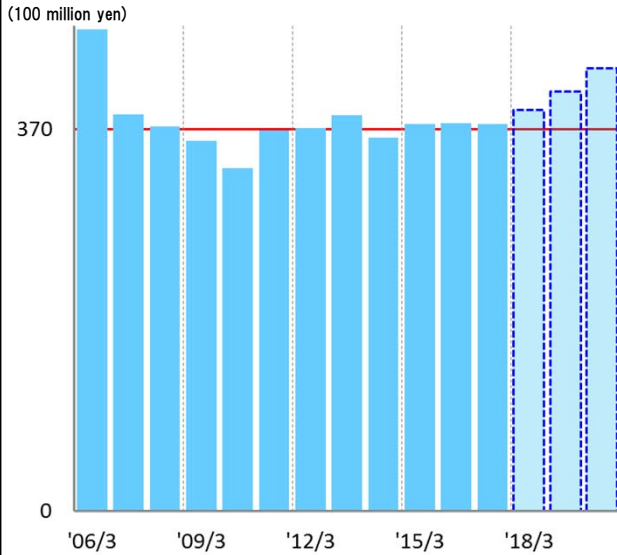
✓ To realize the flexible financial position, for the implementation of future growth strategies and response to the risk associated in achieving the goals of the management plan, treasury shares will be held by the company.

36

- No changes have been made to our Basic Policy Regarding Profit Distribution since the revision of the upper limit for holding treasury shares in November 2018.

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)

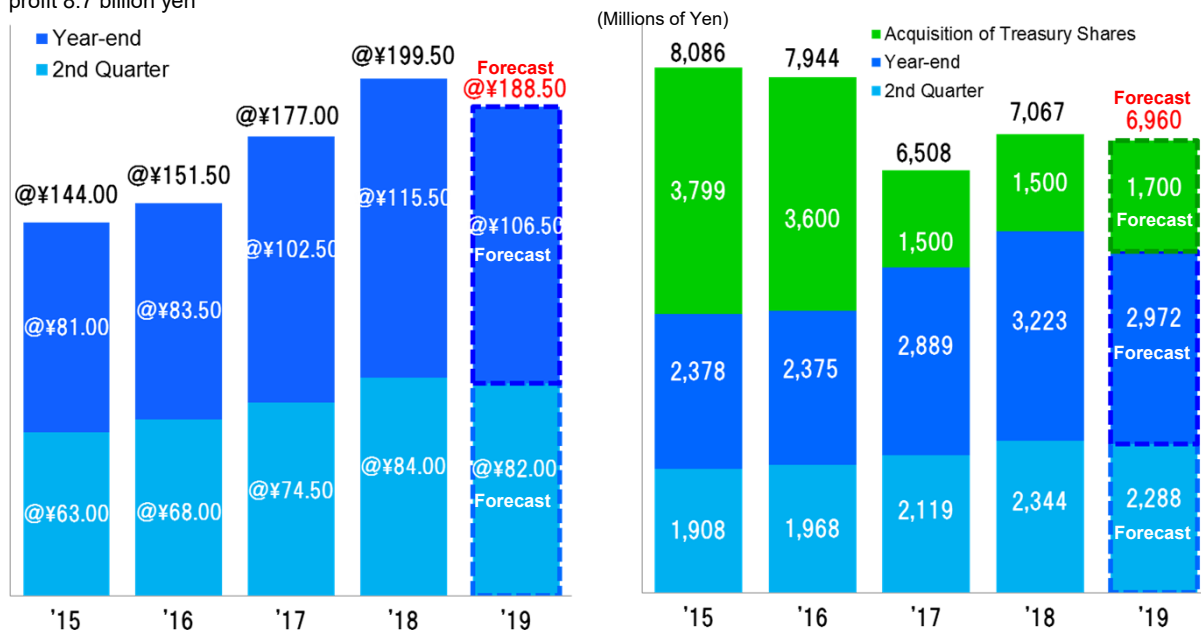


- This slide shows our profit distribution plan for the three years of the Mid-term Management Plan.
- We set a total return ratio during the Mid-Term Management Plan of roughly 80%, with a 60% dividend payout ratio and 20% going to the purchase of treasury shares, a breakdown that reflects the dialogue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

# Results and Forecast of Profit Distribution

- ✓ The year-end dividend for FY2018 is 115.50 yen, which together with the interim dividend of 84.00 yen comes to an annual dividend of 199.50 yen.
- ✓ For FY2019, the total return ratio will be approximately 80% in line with the profit distribution plan of the Mid-term Management Plan  

$$\text{Total return ratio } 80\% = (\text{ordinary dividends } 5.3 \text{ billion yen} + \text{purchase of treasury shares amount } 1.7 \text{ billion yen}) \div \text{forecast profit } 8.7 \text{ billion yen}$$



38

- Lastly, I will discuss our results and forecast of profit distribution.
- Because profit attributable to owners of parent exceeded our forecast, we have increased our dividend forecast from ¥94.50 per share to ¥ 115.50 per share for the year-end dividend of the fiscal year ended March 31, 2019. We will seek approval for this higher dividend at the general meeting of shareholders. Together with the interim dividend of ¥84.00, this will result in an annual dividend of ¥199.50 per share.
- In line with the plan of profit distribution for three years, our forecast for the fiscal year ending March 31, 2020, is a total return ratio of 80%.  
 Based on our forecast for profit attributable to owners of parent of ¥8.7 billion, we will therefore allocate roughly ¥5.3 billion to the annual ordinary dividend, equating to ¥188.50 per share, and ¥1.7 billion to the purchase of treasury shares.
- 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.