

# Daiwa Investment Conference Tokyo 2019

March 5 & 7, 2019

Meitec Corporation  
9744 TSE 1ST Section

人と技術で次代を拓く

**MEITEC**

Engineering Firm at The Core

## Disclaimer

Earnings forecasts and other forward-looking statements in this release are based on data currently available to management and certain assumptions that management believes are reasonable.

Actual results may therefore differ materially from these statements for various reasons.

Some important factors that might have an effect on business performance pertain to Business Risks stated in the Company's annual securities report and other information already released, but factors influencing business performance are not limited to those released.

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**MEITEC**  
Engineering Firm at The Core

## TOP Message

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.

The Meitec Group will aim to become "The Only One" corporate group of professional engineers that plays a core role in the labor market through both people and technology. The Group will strengthen initiatives to achieve its Mid-term Management Plan "Next Stage 1" with a view to realizing sustainable growth.

Hideyo Kokubun  
President and CEO, COO  
MEITEC Group CEO

國分 秀世



# 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.



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## Engineering Firm

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“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

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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.

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# Top 10 Clients by Sales (Meitec)

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

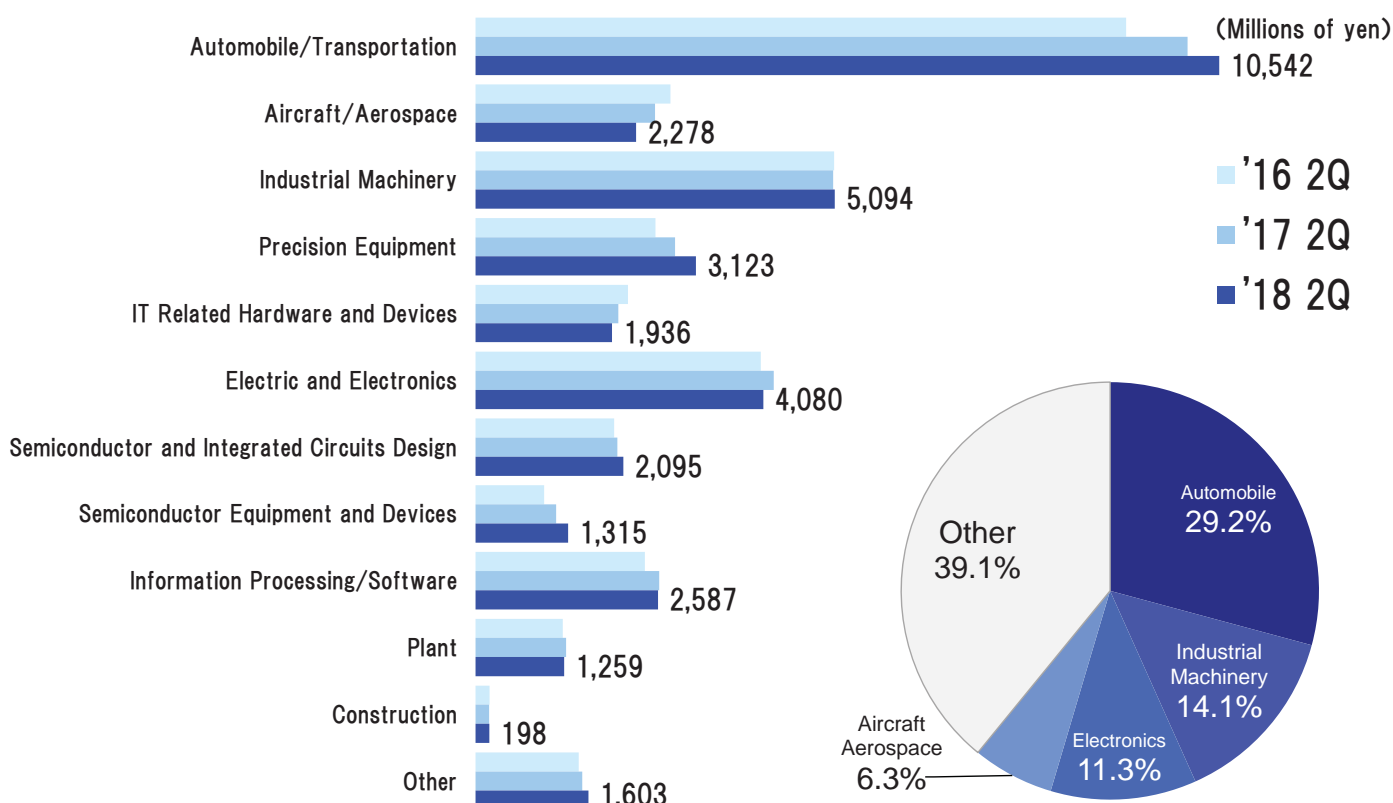
(Millions of yen)

2nd Q FY2013			2nd Q FY2017			2nd Q FY2018		
1	Mitsubishi Heavy Industries		1	Mitsubishi Heavy Industries		1	Denso	
2	Denso		2	Denso		2	Mitsubishi Heavy Industries	
3	Nikon		3	Canon		3	Panasonic	
4	Canon		4	Panasonic		4	Sony Semiconductor Solutions	
5	Panasonic		5	Sony Semiconductor Solutions		5	Canon	
6	Kawasaki Heavy Industries		6	Nikon		6	Toyota Motor	
7	Sony		7	Toyota Motor		7	Nikon	
8	Toyota Motor		8	Kawasaki Heavy Industries		8	Honda R&D	
9	Toshiba		9	Autoliv		9	Olympus	
10	Omron		10	Omron		10	Omron	
Top 10 Total	7,697	27.3%	Top 10 Total	8,501	23.9%	Top 10 Total	8,584	23.8%
Top 20 Total	10,862	38.6%	Top 20 Total	12,263	34.5%	Top 20 Total	12,324	34.1%
Others	17,287	61.4%	Others	23,281	65.5%	Others	23,792	65.9%
Total	28,150	100.0%	Total	35,544	100.0%	Total	36,116	100.0%

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# Sales by the Industrial Segments (Meitec)

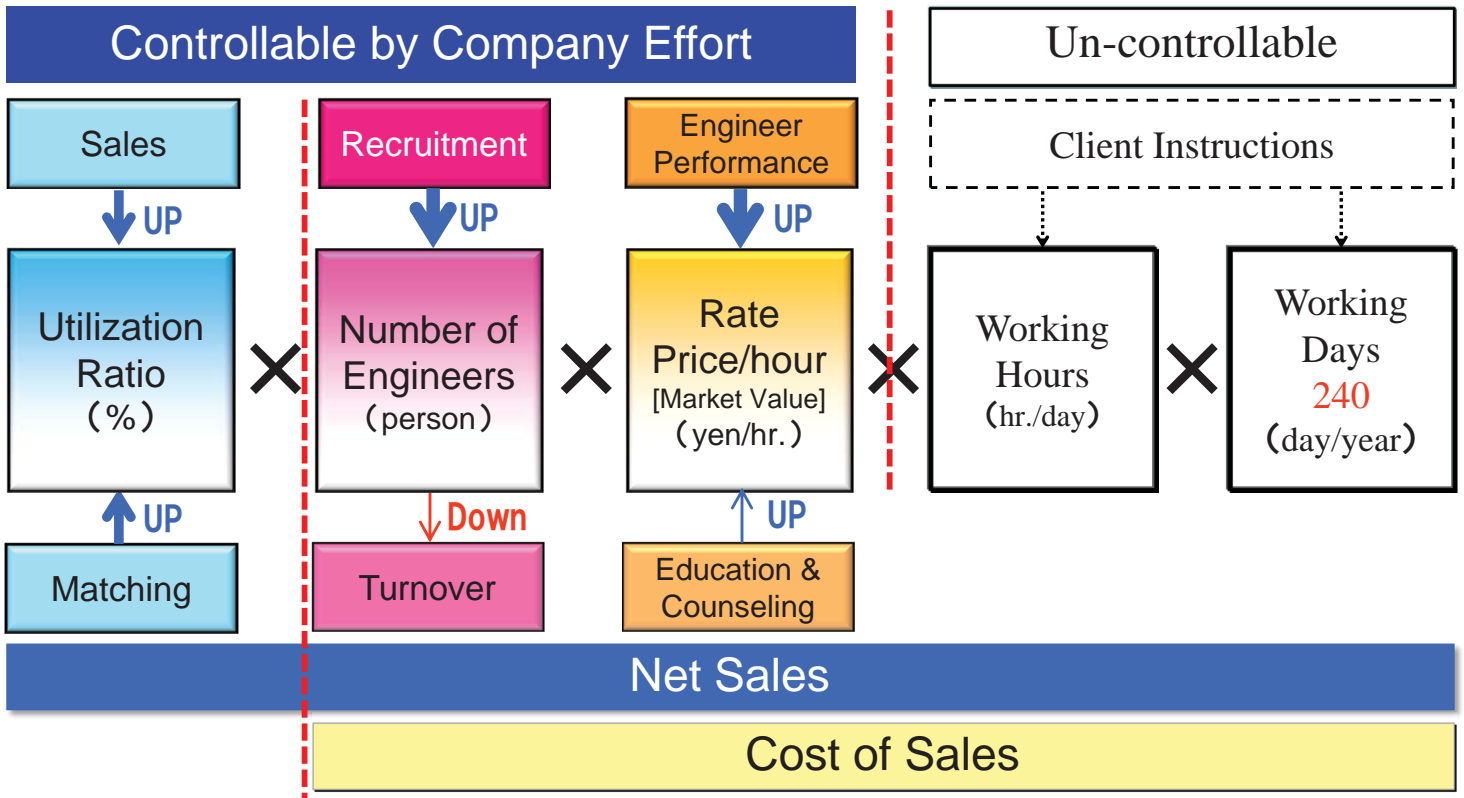
✓ Due to confidentiality reasons we refrain from disclosing the breakdown and outlook for specific clients (individual companies) (figures are stated in Reference Materials)



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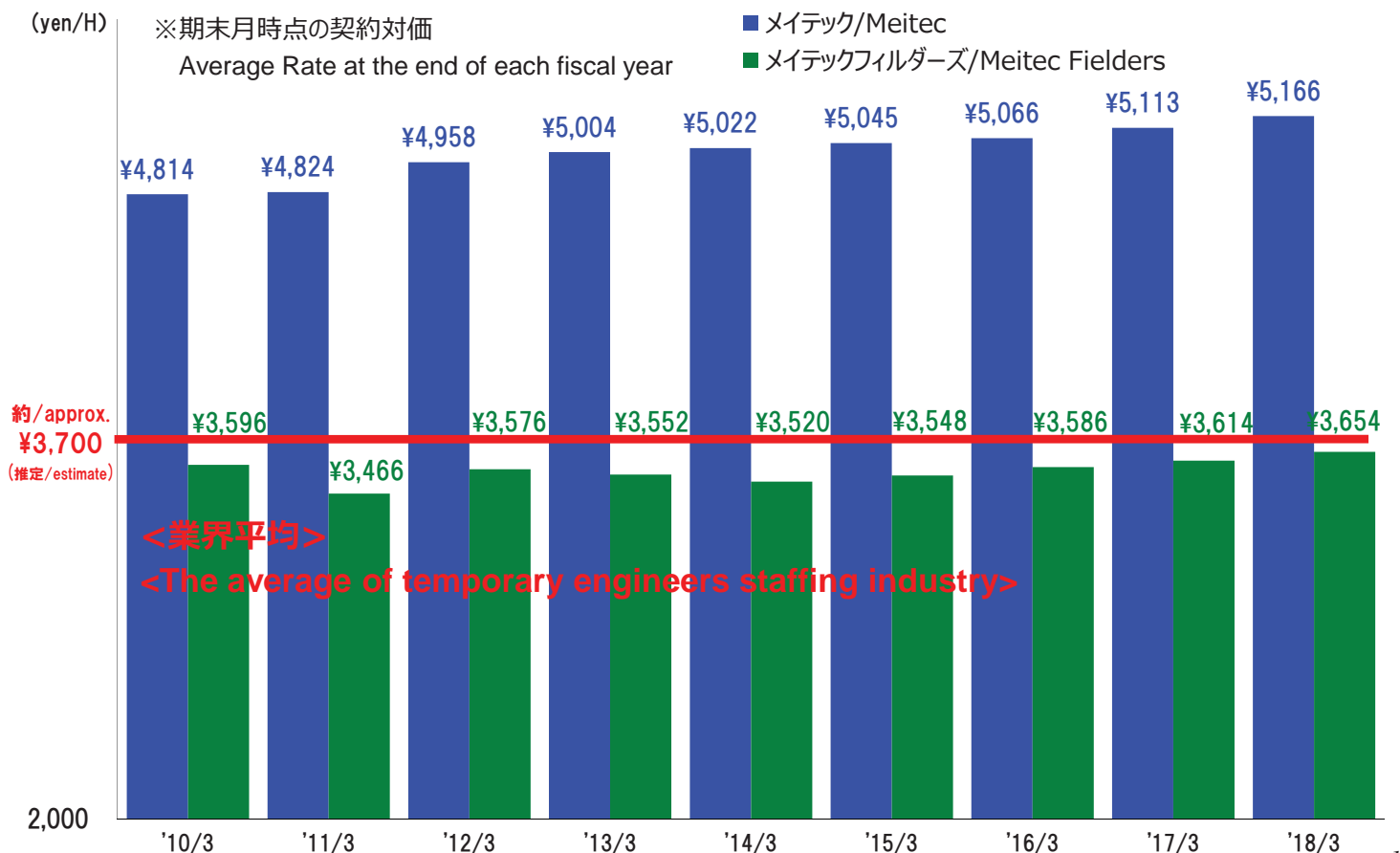
# Sales and Cost (Dispatch-type)

- ✓ 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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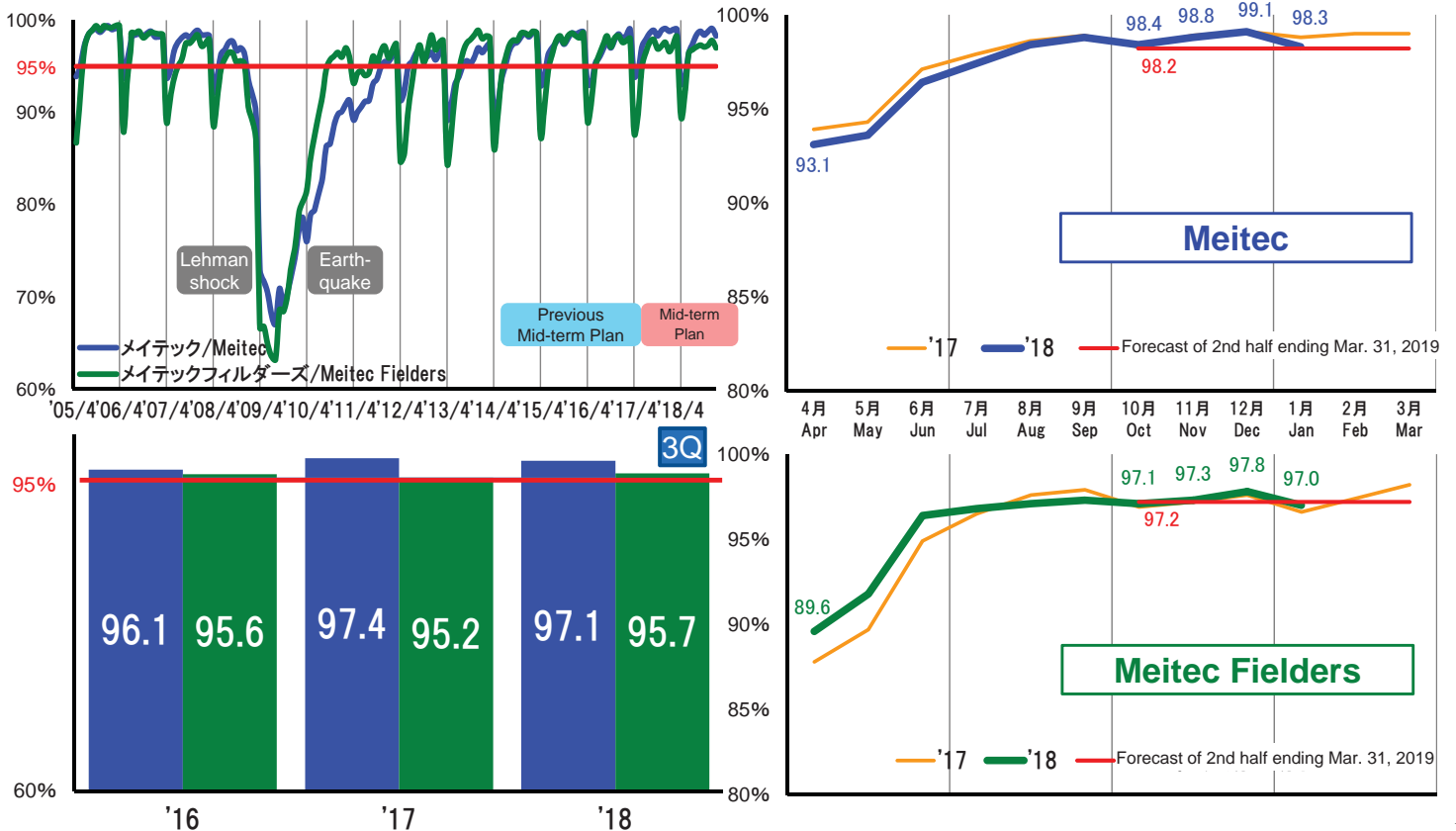
## Trend in Average Rate = (Market Value)



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# Utilization Ratio

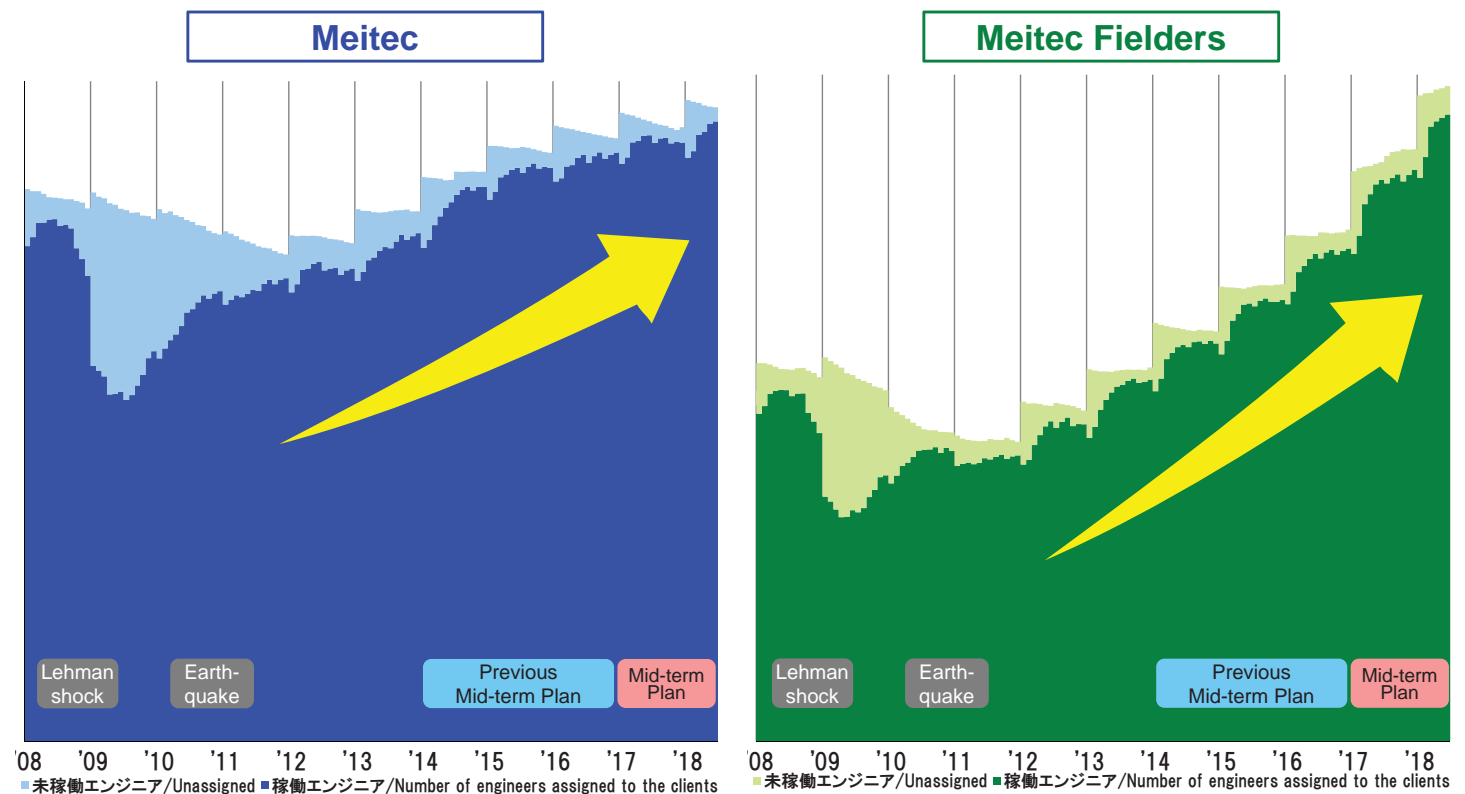
✓ Under a firm environment for order, the utilization ratio remained high.



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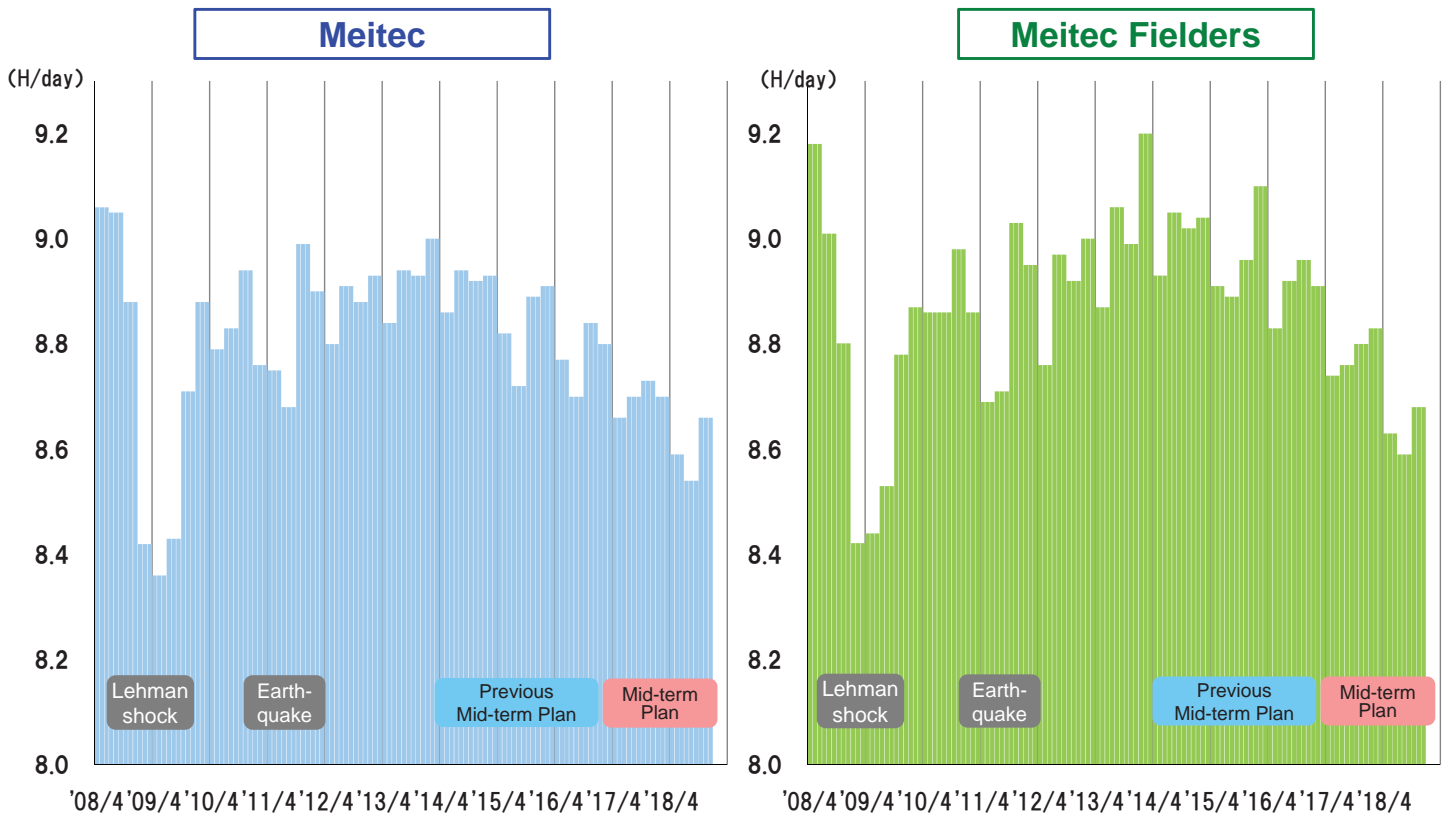
# Number of Engineers Assigned to the Clients (Key factor of Sales)

✓ 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.



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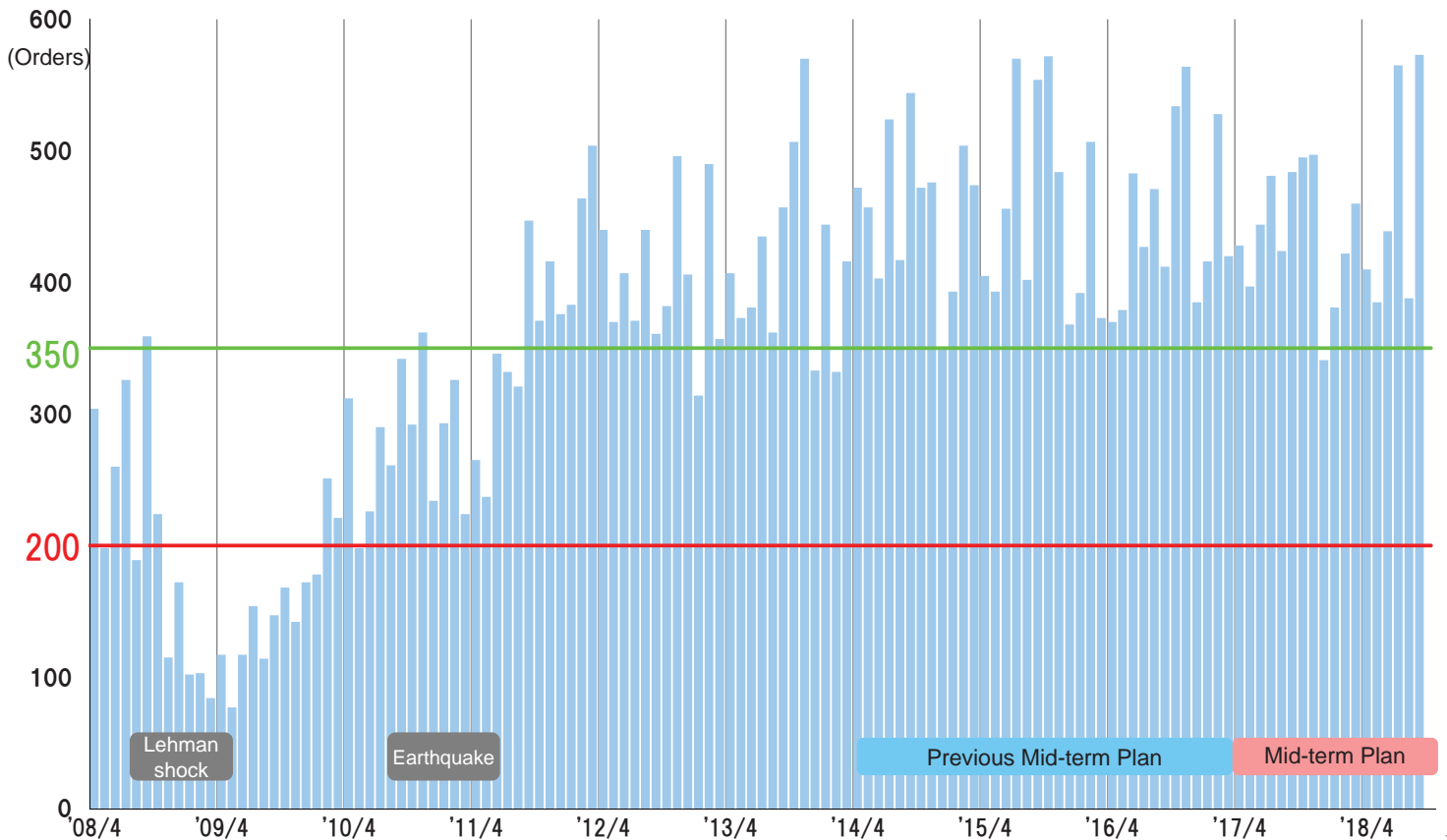
✓ Working hours declined year on year due to reductions in overtime hours.



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## Trend in New Orders by Month (Meitec)

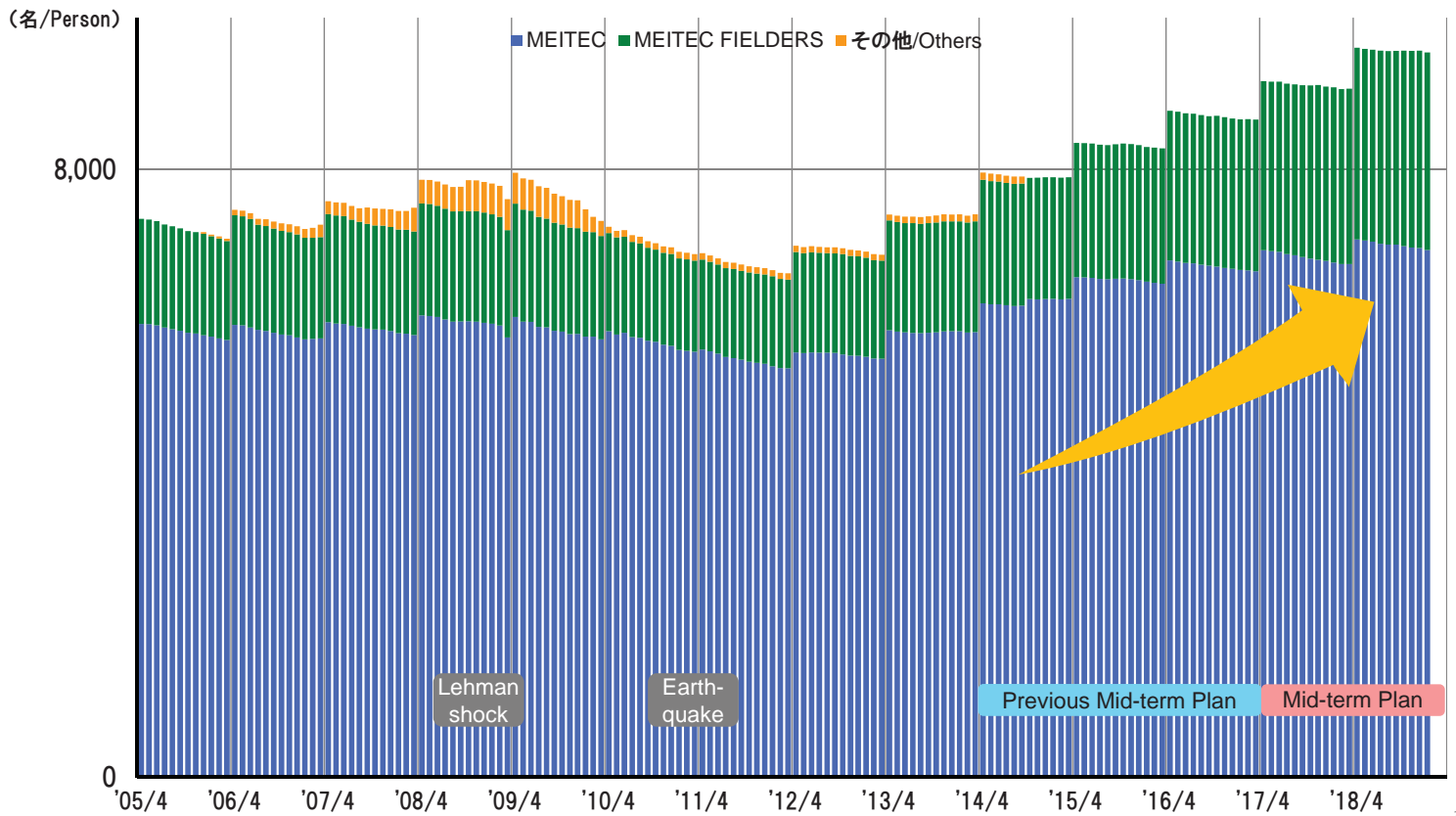
✓ New orders at Meitec remain at a level above 350 orders per month.



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# Number of Engineers (Group Consolidated)

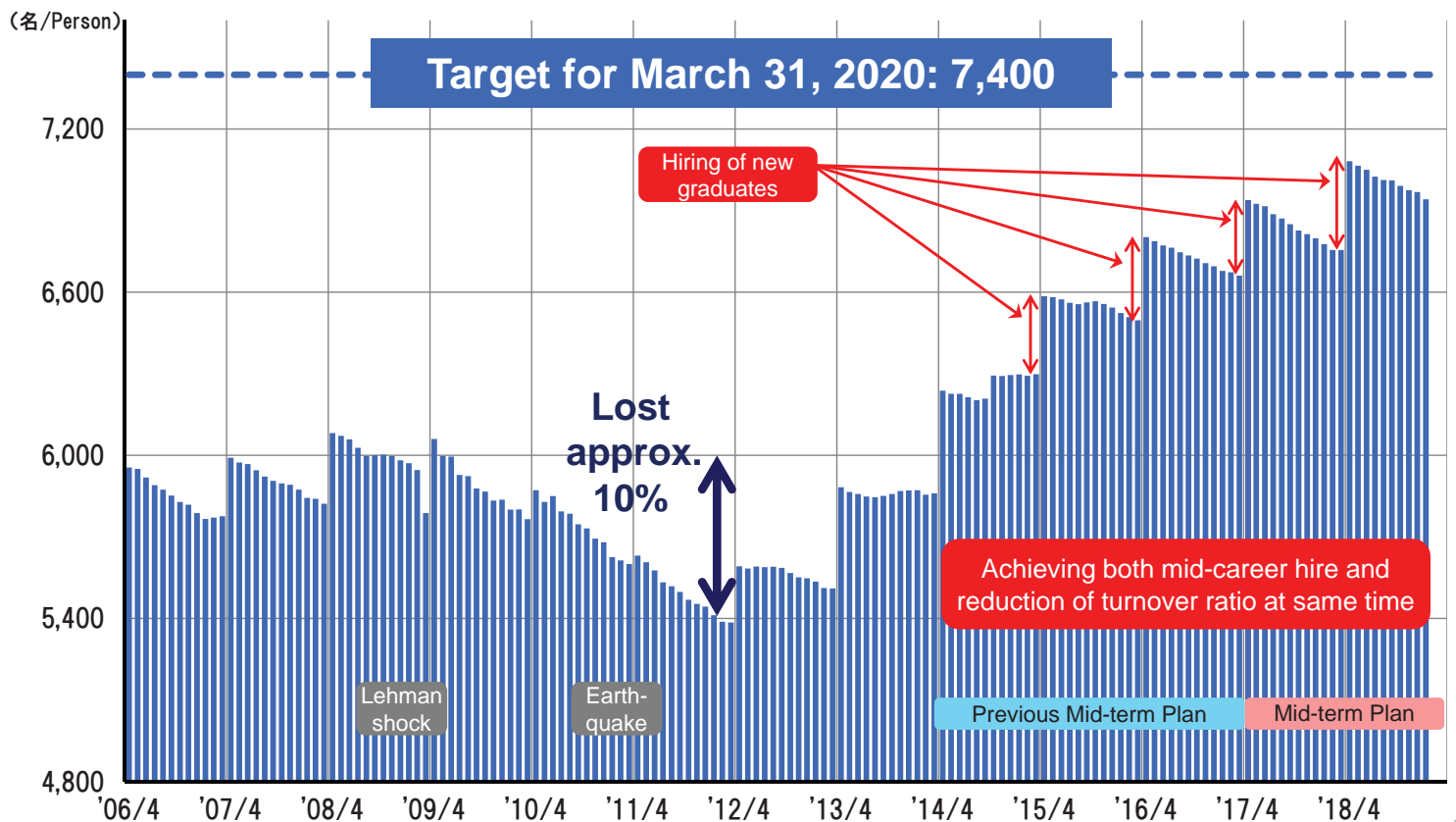
✓ The number of engineers as of January 31, 2018 was 9,544, an increase of 460 engineers, or 5.0%, compared to January 31, 2017.



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# Number of Engineers (Meitec)

✓ The number of engineers as of January 31, 2018 was 6,942, an increase of 165 engineers, or 2.4%, compared to January 31, 2017.

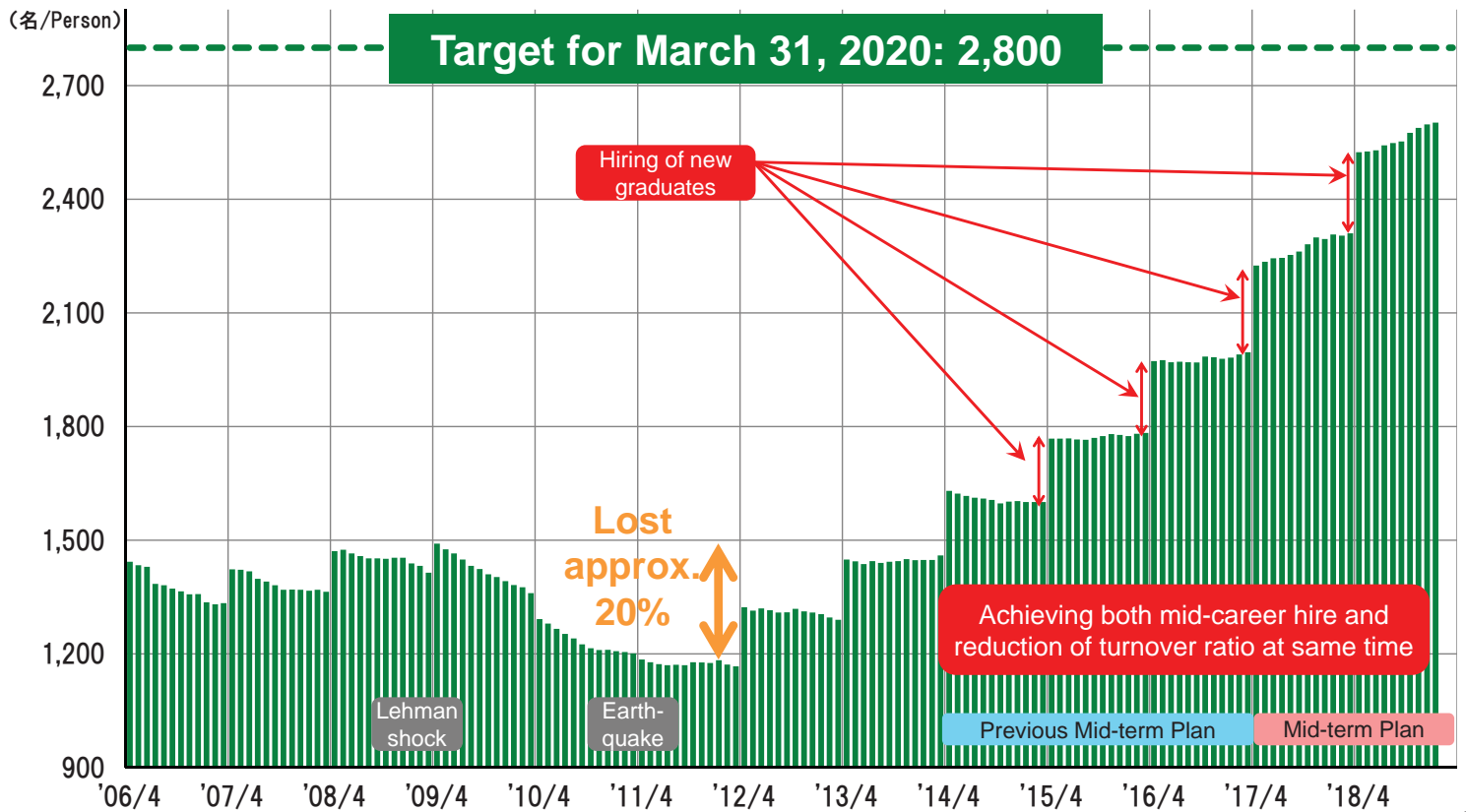


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# Number of Engineers (Meitec Fielders)

- ✓ The number of engineers as of January 31, 2018 was 2,602, an increase of 295 engineers, or 12.8%, compared to January 31, 2017.



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## Hiring Target for the Fiscal Year Ending March 31, 2019

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

- ✓ With no end in sight to corporate demand for hiring engineers among manufacturers and others, the hiring environment remains challenging.
- ✓ Under these conditions, Meitec will continue to focus on hiring 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 hiring target for Meitec is 160, remain unchanged from initial forecast. Same for Meitec Fielders, the hiring target is unchanged from initial forecast.

### New Graduates (Joined April 2019)

- ✓ With the challenging hiring environment made tougher by companies' rising eagerness to hire new graduates, we will focus on the trends of the new-graduate generation and continue 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 prospective employees was 424, 24 more than the initial forecast, for Meitec. On the other hand, it was 205, 35 less than the initial forecast, for Meitec Fielders.

(person)	Fiscal Year Ending March 31, 2019					Fiscal Year Ending March 31, 2020	
	New Graduates April 2018 (Actual)	Mid-career <Target>	Comparison to Initial Forecast	Total <Target>	Comparison to Initial Forecast	New Graduates April 2019 <Prospective Number as of Oct. 2018>	Comparison to Initial Forecast
Meitec	357	160	—	517	—	424	+24
Meitec Fielders	203	280	—	483	—	205	(35)
Total	560	440	—	1000	—	629	(11)
Comparison to previous year	+39	(2)		+37			

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# Mid-term Management Plan of Meitec Group 2017-2019

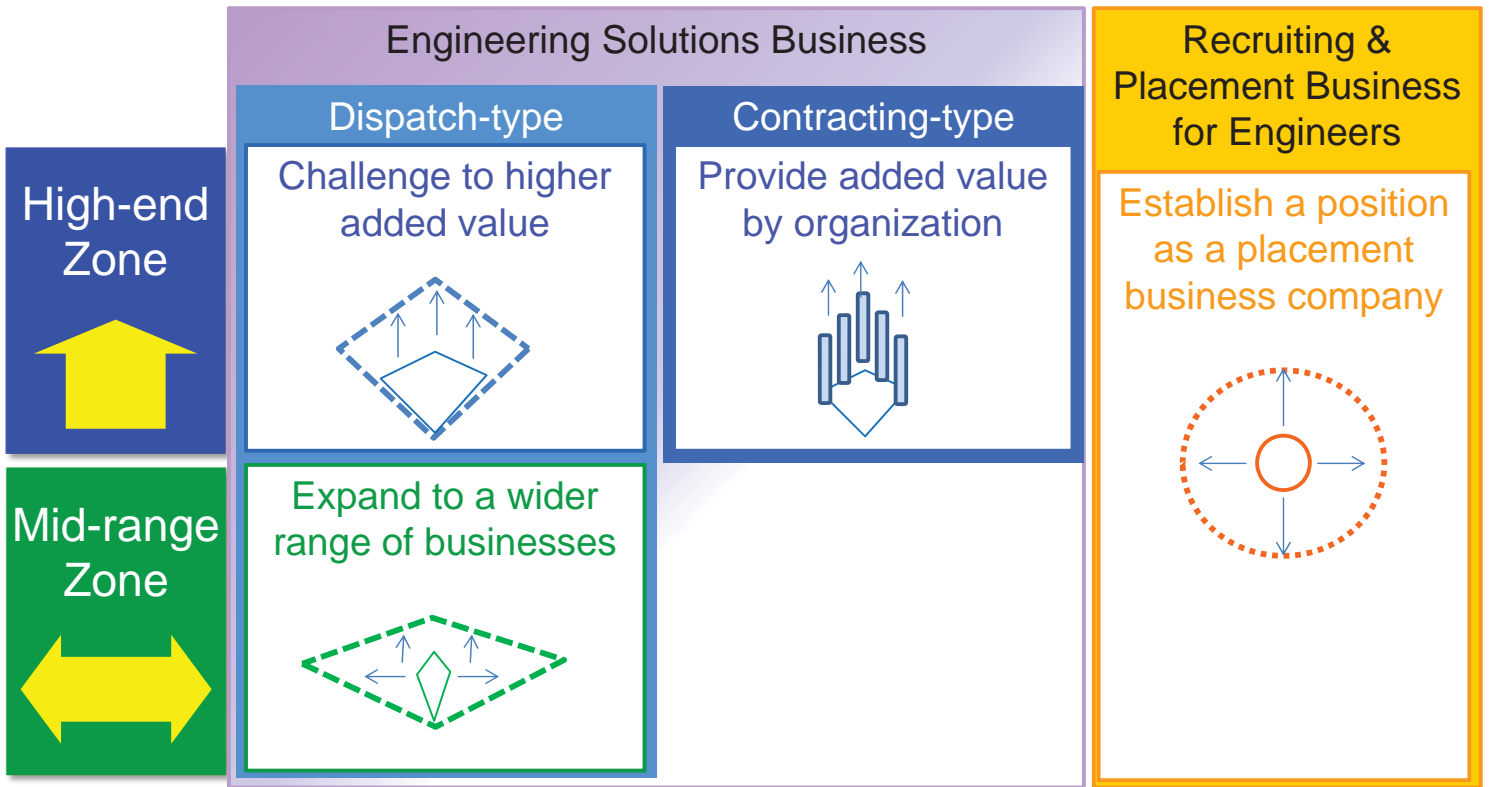
## Next Stage 1

### Next Stage 1 Forecast • Progress on Mid-term Management Plan

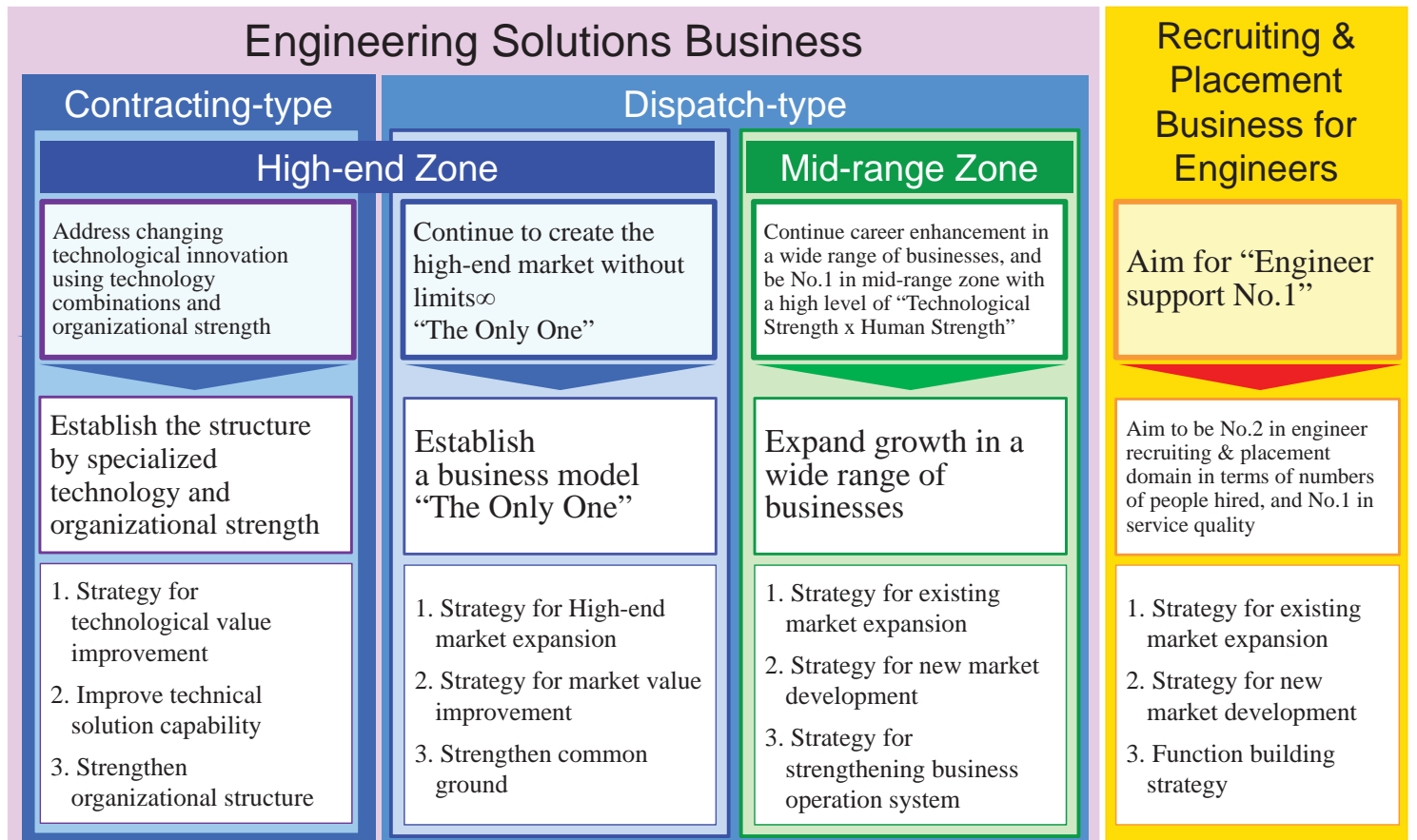
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		FY2017	FY2018	FY2019
(Billion Yen)		Actual	Forecast	Target
Group Consolidated	Net Sales	93.6	97.0	100.0
	Operating Profit	11.5	12.0	13.0
	Margin	12.2%	12.4%	13.0%
	Profit	8.1	8.1	9.0
	ROE	20.9%	-	20.0%
Meitec	Net Sales	72.3	73.3	78.0
	Operating Profit	9.3	9.6	10.0
	Margin	12.9%	13.1%	13.0%
Meitec Fielders	Net Sales	17.0	19.0	20.0
	Operating Profit	1.5	1.7	1.7
	Margin	8.6%	8.7%	9.0%

Strengthen competitiveness for aggressive growth



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



## Results for the 3rd Quarter of the Fiscal Year Ending March 31, 2019 (Group Consolidated)

- ✓ Net sales rose 4.6% year on year and operating profit was up 11.7%

(Fractions of one million yen are rounded down)	3Q ended Dec. 31, 2017	3Q ended Dec. 31, 2018	YoY Amount	% Change	Full-year Forecasts	% Change
Net sales	70,087	73,339	+3,252	+4.6%	97,000	75.6%
Cost of sales	51,359	53,255	+1,895	+3.7%	71,000	
Cost of sales to Net sales	73.3%	72.6%	(0.7%)			
SG&A Expenses	9,513	9,794	+281	+3.0%	14,000	
Operating profit	9,214	10,289	+1,075	+11.7%	12,000	85.7%
Operating profit margins	13.1%	14.0%	+0.9%		12.4%	
Ordinary profit	9,219	10,296	+1,076	+11.7%	12,000	85.8%
Extraordinary income & loss	77	(1)	(79)			
Profit before income taxes	9,297	10,294	+997	+10.7%		
Profit attributable to owners of parent	6,257	7,022	+765	+12.2%	8,100	86.7%
Profit margins	8.9%	9.6%	+0.6%			

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## Results for the 3rd Quarter of the Fiscal Year Ending March 31, 2019 (Meitec)

- ✓ Net sales rose 2.6% year on year and operating profit was up 9.9%
- ✓ The utilization ratio declined ← Due to a greater number of newly graduated engineers compared with the previous year.

(Fractions of one million yen are rounded down)	3Q ended Dec. 31, 2017	3Q ended Dec. 31, 2018	YoY Amount	% Change	Full-year Forecasts	% Change
Net sales	54,173	55,584	+1,410	+2.6%	73,300	75.8%
Operating profit	7,476	8,218	+742	+9.9%	9,600	85.6%
Operating profit margins	13.8%	14.8%	+1.0%		13.1%	
Ordinary profit	8,232	8,976	+743	+9.0%	10,300	87.1%
Profit	5,845	6,337	+492	+8.4%	7,200	88.0%
Utilization ratio (Company-wide)	97.4%	97.1%	(0.3%)		97.2%	
Working Hours<h/day>	8.70	8.60	(0.10)	(1.1%)	8.58	
Number of Engineers	6,799	6,969	+170	+2.5%		

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## Results for the 3rd Quarter of the Fiscal Year Ending March 31, 2019 (Meitec Fielders)

- ✓ Net sales rose 14.3% year on year and operating profit was up 23.1%
- ✓ The utilization ratio improved ← Due to fewer number of newly graduated engineers compared with the previous year.

(Fractions of one million yen are rounded down)	3Q ended Dec. 31, 2017	3Q ended Dec. 31, 2018	YoY Amount	% Change	Full-year Forecasts	% Change
Net sales	12,650	14,465	+1,815	+14.3%	19,000	76.1%
Operating profit	1,240	1,528	+287	+23.1%	1,650	92.6%
Operating profit margins	9.8%	10.6%	+0.8%		8.7%	
Ordinary profit	1,235	1,528	+292	+23.7%	1,650	92.6%
Profit	849	1,058	+208	+24.6%	1,050	100.8%
Utilization ratio (Company-wide)	95.2%	95.7%	+0.5%		96.0%	
Working Hours<h/day>	8.77	8.64	(0.13)	(1.5%)	8.64	
Number of Engineers	2,295	2,597	+302	+13.2%		

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## Results for the 3rd Quarter of the Fiscal Year Ending March 31, 2019 (Group Overview)

- ✓ Operating profit declined 3.2% YoY, for Meitec Next. ←Due to the increase in the implementation cost of each strategy for aggressive growth.

(Millions of yen)	Engineering Solutions Business				Recruiting & Placement Business for Engineers
	Meitec	Meitec Fielders	Meitec Cast	Meitec EX	Meitec Next
Net sales	55,584	14,465	2,160	83	1,301
YoY Amount	+1,410	+1,815	(44)	(0)	+93
% Change	+2.6%	+14.3%	(2.0%)	—	+7.7%
Operating profit	8,218	1,528	140	(6)	390
YoY Amount	+742	+287	+38	+14	(13)
% Change	+9.9%	+23.1%	+38.4%	—	(3.2%)
Ordinary profit	8,976	1,528	139	(6)	389
Profit	6,337	1,058	95	(6)	270

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✓ 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 2011 <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>	
	Dividend related to performances : Equal or more than 50% of consolidated profit	
	Minimum Dividend : Consolidated Dividend on Equity ratio (DOE) 5%	
<b>Dividend</b>	<b>Acquire : Carry out as appropriate, taking the total return ratio and dividend payout ratio levels into consideration</b>	
<b>Treasury shares acquisition, possession and retirement</b>	<b>Possess</b> <b>Maximum of 5% of shares issued</b>	<b>Retired</b> Excess above maxim to be retired by the end of the fiscal year

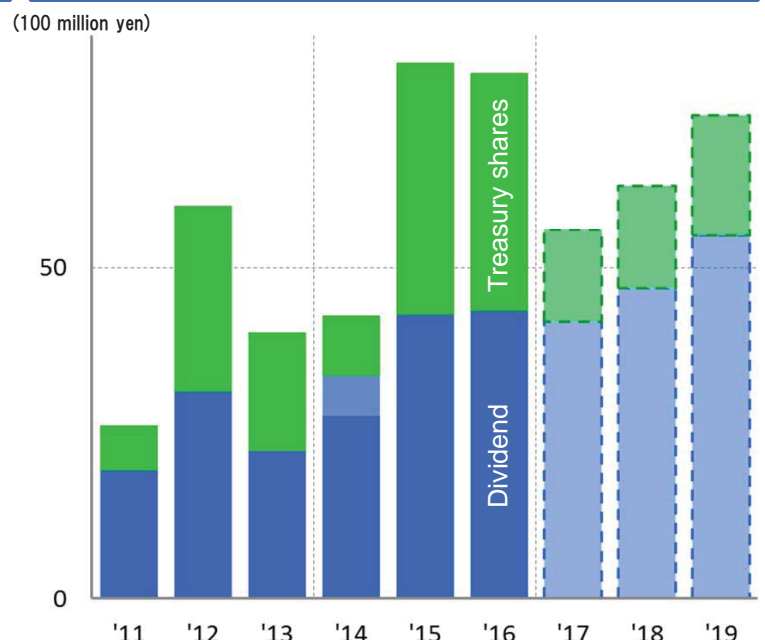
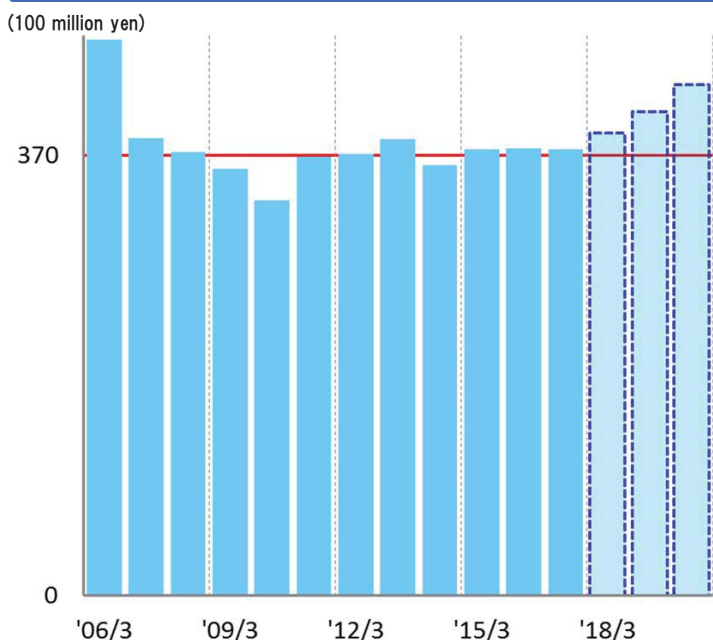
✓ To realize the flexible financial position, for the implementation of future growth strategies and response to the risk associated in achieving the goals of the management plan, treasury shares will be held by the company.

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## Next Stage 1 Plan of Profit Distribution for 3 years

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)

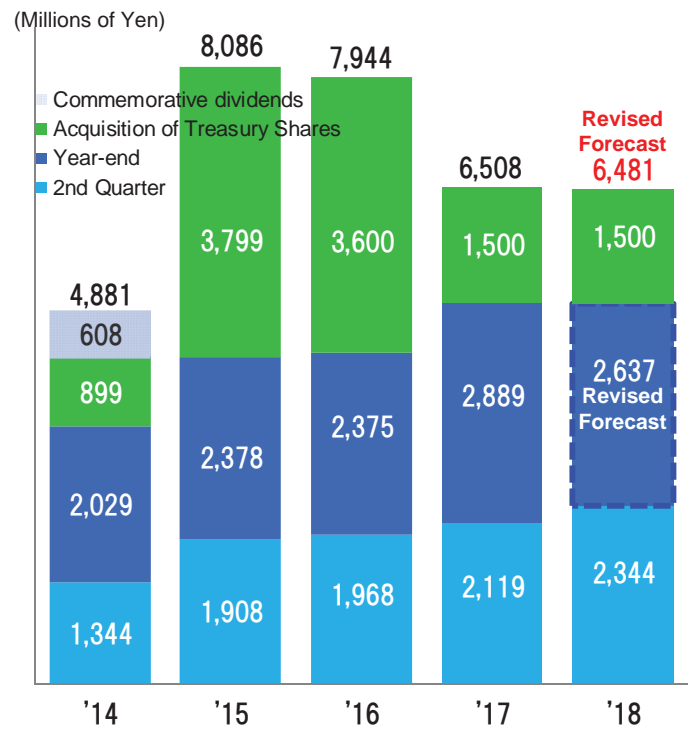
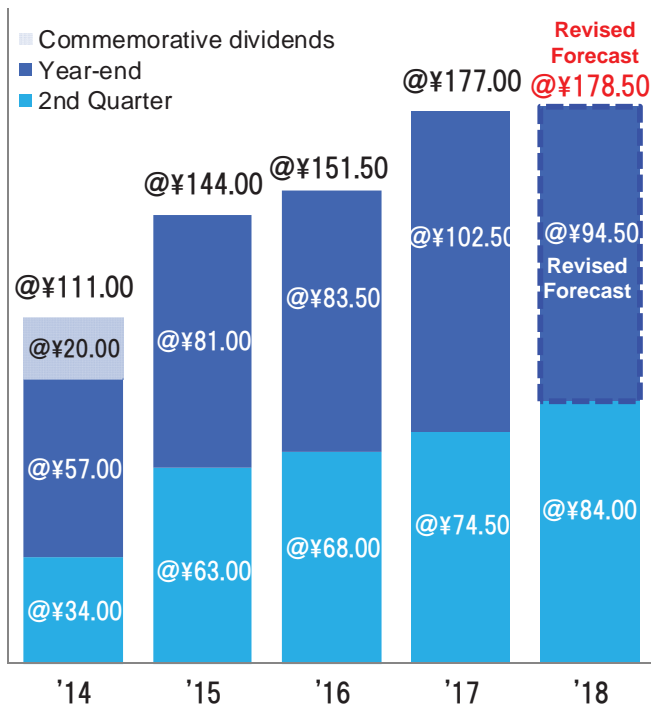
2. Total return ratio for 3 years is roughly 80%  
 (1) Dividend payout ratio: 60%  
 (2) Purchase of treasury shares: 20%  
 (The breakdown reflects the dialogue with shareholders and investors)



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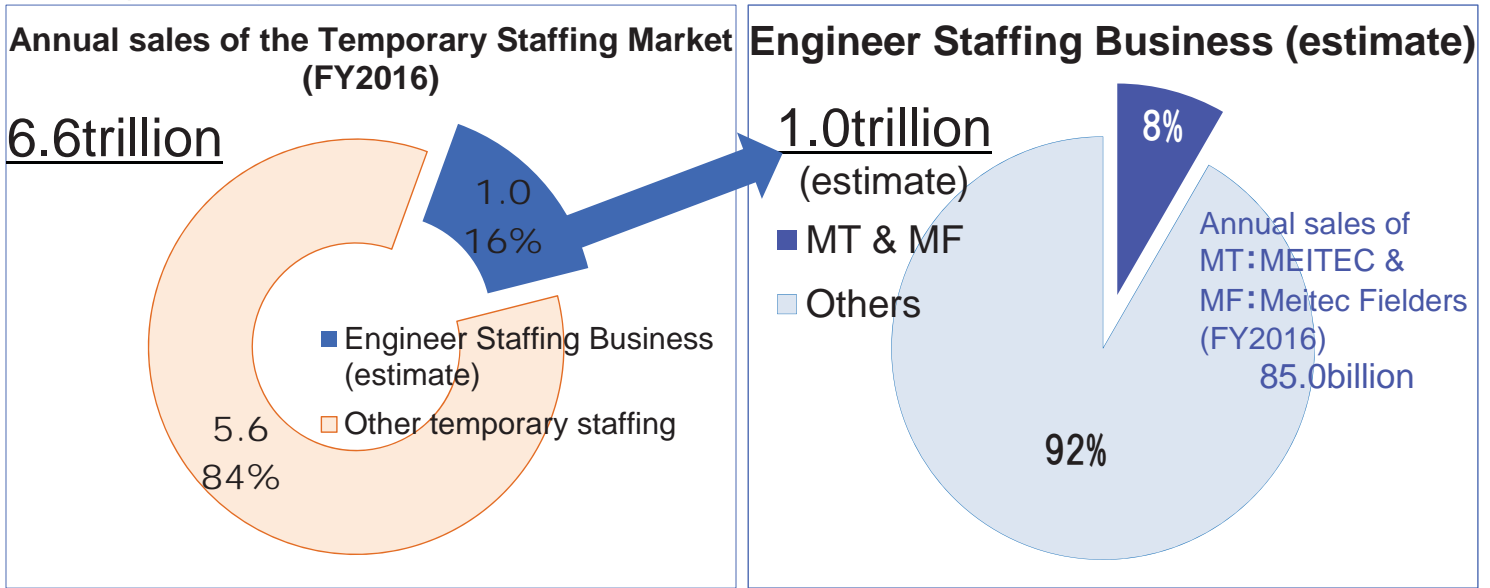
# Results and Forecast of Profit Distribution

- ✓ 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 5.0 billion yen + purchase of treasury shares amount 1.5 billion yen) ÷ forecast profit 8.1 billion yen



## 3. Reference Materials

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

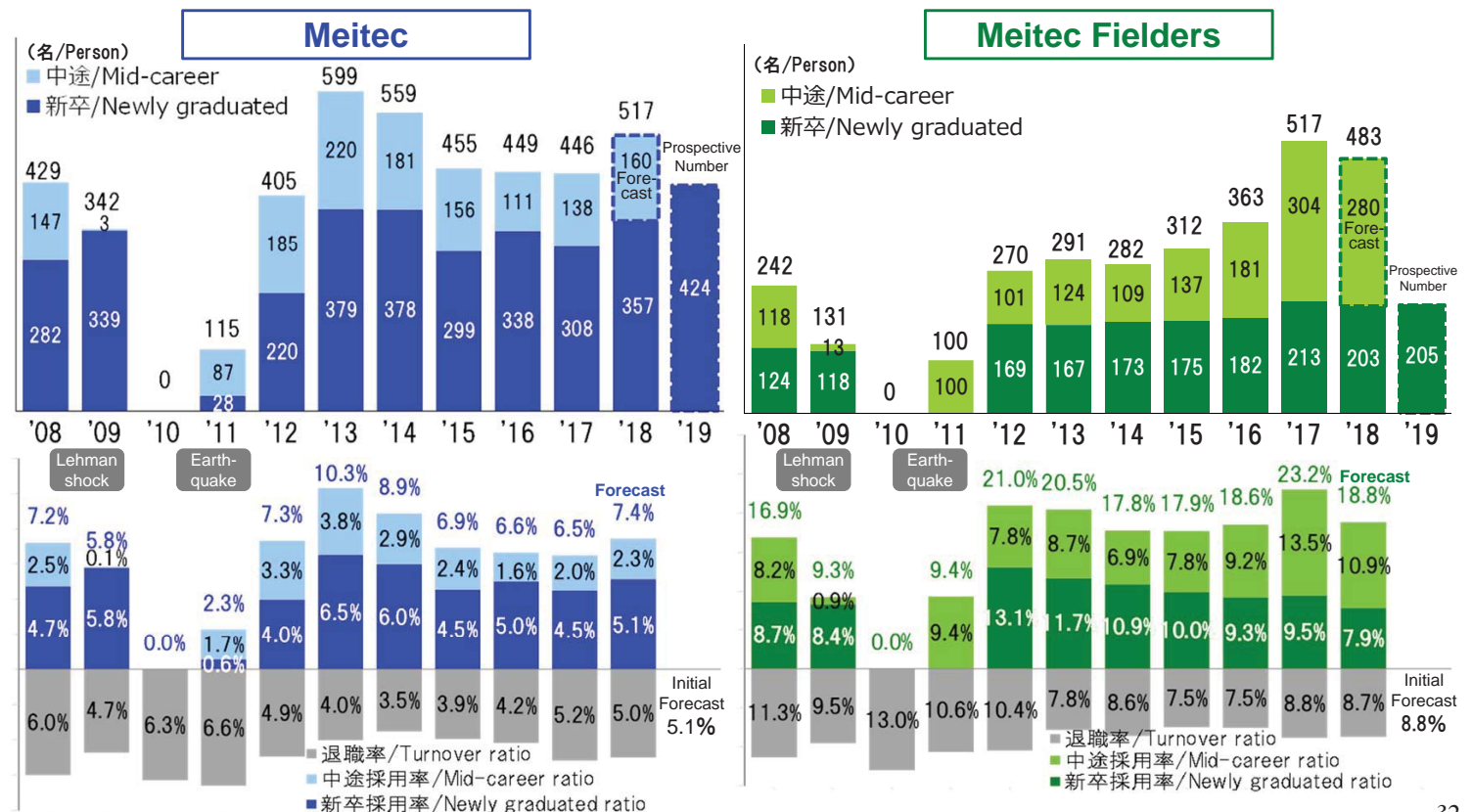


<b>Meitec (Mar-2017)</b>	<b>Engineer Staffing (estimate)</b>	Old Specified Temporary Staffing	
			Indefinite
<b>¥5,113</b>	<b>approx. ¥3,700</b>	approx. ¥3,150	approx. ¥3,230

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

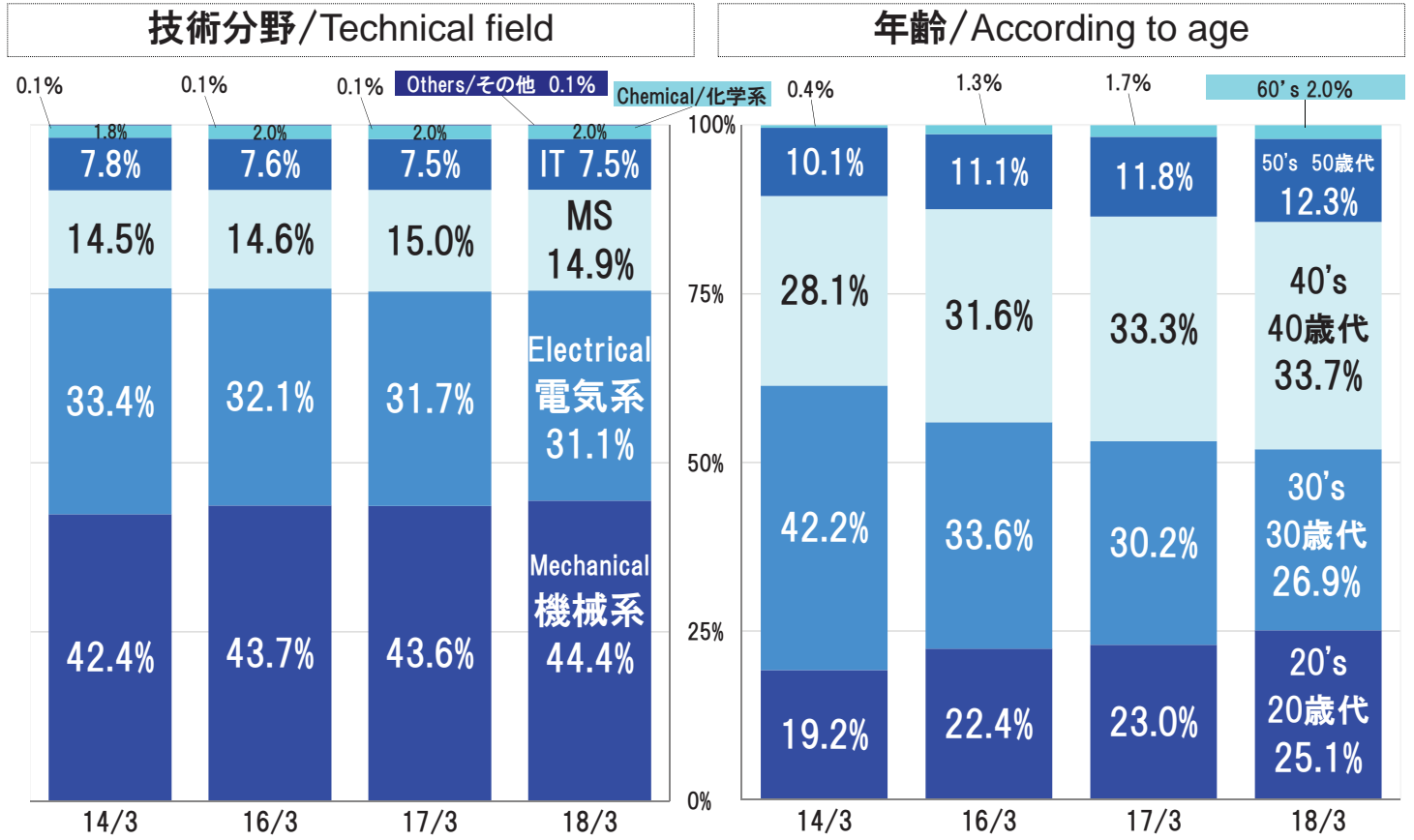
## Recruitment and Turnover

✓ 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 2019.



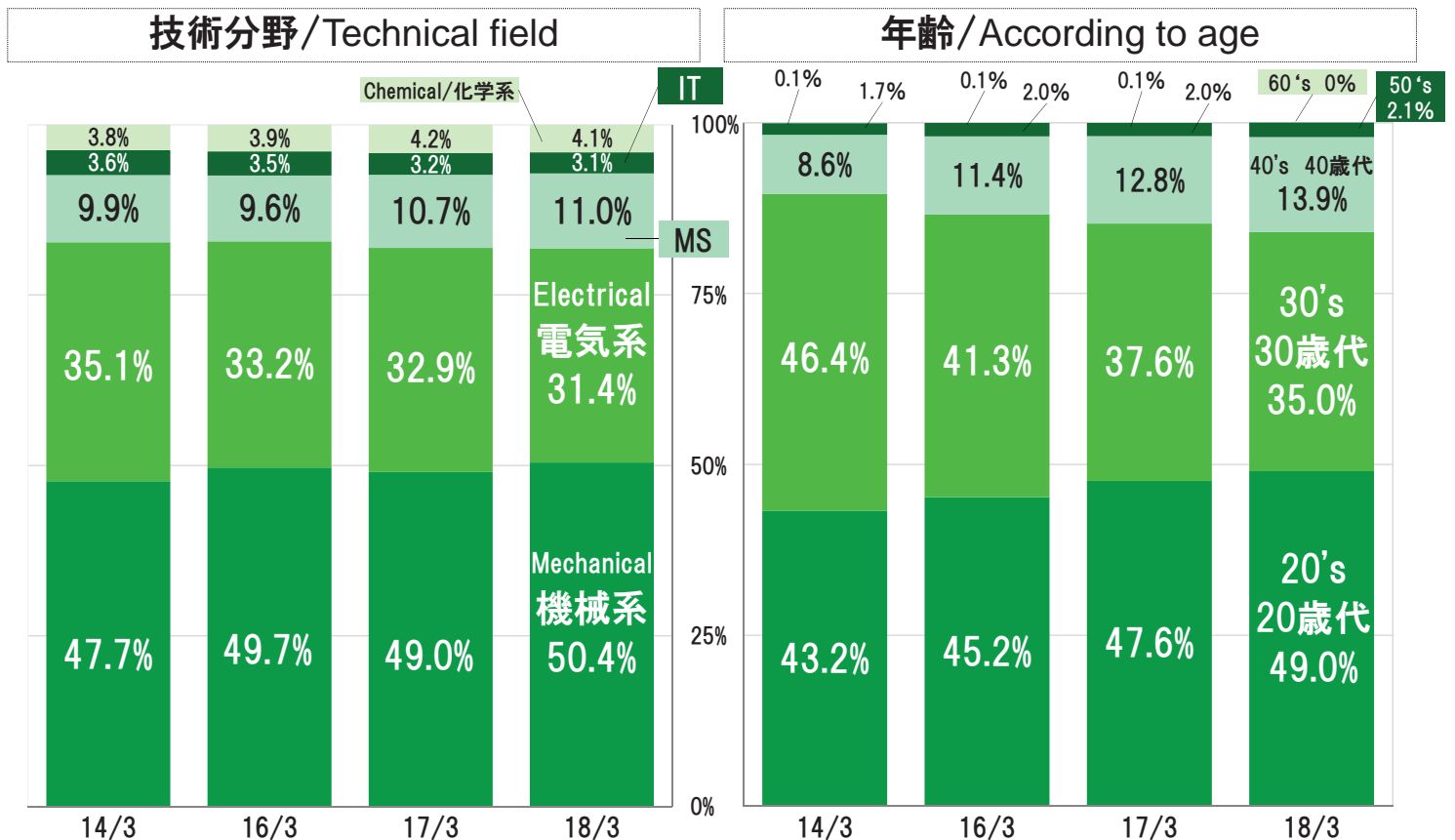


# Distribution of Engineers by Technical Fields and Age (Meitec)



MS: Micro Computer System

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



MS: Micro Computer System

# Trend of Performances (Group Consolidated)

(Millions of Yen)	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Net sales	71,255	79,120	83,223	82,229	82,102	79,898	53,776	61,790	66,955	70,330	74,906	82,136	87,888	89,979	93,618
Cost of sales	49,648	54,460	56,685	57,701	57,777	57,177	46,765	48,832	49,875	51,639	55,370	60,481	64,661	66,417	69,250
Cost of sales to Net sales	69.7%	68.8%	68.1%	70.2%	70.4%	71.6%	87.0%	79.0%	74.5%	73.4%	73.9%	73.6%	73.6%	73.8%	74.0%
Gross profit	21,606	24,660	26,538	24,528	24,324	22,720	7,010	12,957	17,079	18,691	19,536	21,654	23,227	23,561	24,368
Selling, general and administrative expenses	9,339	12,371	14,053	12,946	12,959	13,439	11,939	10,337	11,629	12,337	12,556	12,114	12,352	12,418	12,910
SG&A expenses to Net sales	13.1%	15.6%	16.9%	15.7%	15.8%	16.8%	22.2%	16.7%	17.4%	17.5%	16.8%	14.7%	14.1%	13.8%	13.8%
Operating profit	12,267	12,289	12,485	11,581	11,365	9,280	(4,928)	2,620	5,450	6,354	6,979	9,540	10,874	11,142	11,458
Operating profit margins	17.2%	15.5%	15.0%	14.1%	13.8%	11.6%	(9.2%)	4.2%	8.1%	9.0%	9.3%	11.6%	12.4%	12.4%	12.2%
Non-operating income	106	87	137	74	84	87	4,729	2,146	114	97	50	113	29	20	19
Non-operating expenses	90	185	59	169	115	107	77	178	32	24	51	10	58	17	11
Ordinary profit	12,283	12,190	12,562	11,487	11,334	9,260	(276)	4,588	5,531	6,427	6,978	9,643	10,845	11,145	11,465
Ordinary profit margins	17.2%	15.4%	15.1%	14.0%	13.8%	11.6%	(0.5%)	7.4%	8.3%	9.1%	9.3%	11.7%	12.3%	12.4%	12.2%
Extraordinary income	149	393	538	5	6	13	32	378	—	58	—	20	1,084	31	337
Extraordinary loss	477	2,682	2,235	5,092	1,826	1,094	130	234	4	215	146	3,621	65	45	262
Profit before income taxes	11,955	9,900	10,866	6,400	9,514	8,178	(374)	4,732	5,526	6,270	6,832	6,041	11,865	11,131	11,541
Total income taxes and others	5,246	5,192	5,563	6,105	4,556	3,875	530	1,041	2,699	277	2,858	2,381	3,781	3,193	3,409
Profit attributable to owners of parent	6,709	4,707	5,302	295	4,958	4,303	(904)	3,690	2,827	5,993	3,973	3,659	8,083	7,937	8,132
Profit margins	9.4%	6.0%	6.4%	0.4%	6.0%	5.4%	(1.7%)	6.0%	4.2%	8.5%	5.3%	4.5%	9.2%	8.8%	8.7%

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# Trend of Performances (Meitec)

(Millions of Yen)	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Net sales	59,518	61,109	61,425	61,795	62,956	60,457	41,319	48,260	53,188	55,822	58,876	64,675	68,878	70,083	72,252
Cost of sales	40,927	42,087	42,380	43,134	43,875	43,109	36,074	38,777	39,987	41,240	43,742	47,857	50,884	52,013	53,861
Cost of sales to Net sales	68.8%	68.9%	69.0%	69.8%	69.7%	71.3%	87.3%	80.4%	75.2%	73.9%	74.3%	74.0%	73.9%	74.2%	74.5%
Gross profit	18,591	19,021	19,045	18,660	19,081	17,348	5,245	9,482	13,200	14,582	15,134	16,817	17,994	18,069	18,391
Selling, general and administrative expenses	7,833	7,802	7,913	8,039	8,620	8,540	8,210	7,758	8,587	9,179	9,382	8,891	8,932	8,856	9,048
SG&A expenses to Net sales	13.2%	12.8%	12.9%	13.0%	13.7%	14.1%	19.9%	16.1%	16.1%	16.4%	15.9%	13.7%	13.0%	12.6%	12.5%
Operating profit	10,757	11,219	11,131	10,621	10,460	8,807	(2,964)	1,724	4,613	5,402	5,751	7,925	9,061	9,213	9,342
Operating profit margins	18.1%	18.4%	18.1%	17.2%	16.6%	14.6%	(7.2%)	3.6%	8.7%	9.7%	9.8%	12.3%	13.2%	13.1%	12.9%
Non-operating income	324	530	458	4,988	356	564	3,840	1,976	389	314	426	523	517	601	769
Non-operating expenses	90	35	33	109	48	76	53	150	14	19	426	10	52	16	6
Ordinary interests in income	10,991	11,714	11,556	15,500	10,768	9,294	822	3,550	4,988	5,698	6,149	8,438	9,526	9,798	10,105
Ordinary profit margins	18.5%	19.2%	18.8%	25.1%	17.1%	15.4%	2.0%	7.4%	9.4%	10.2%	10.4%	13.0%	13.8%	14.0%	14.0%
Extraordinary income	61	525	102	5	3	7	2	3	—	462	—	324	1,088	200	364
Extraordinary loss	412	800	132	10,202	2,084	2,912	626	318	66	228	372	3,673	50	222	261
Profit before income taxes	10,641	11,439	11,526	5,304	8,687	6,389	197	3,236	4,921	5,932	5,776	5,089	10,563	9,776	10,208
Total income taxes	4,597	4,586	4,706	5,388	3,749	3,391	144	1,094	2,331	(124)	2,352	1,749	3,171	2,702	2,747
Profit	6,044	6,853	6,820	(83)	4,938	2,998	53	2,141	2,590	6,056	3,425	3,340	7,391	7,073	7,461
Profit margins	10.2%	11.2%	11.1%	(0.1%)	7.8%	5.0%	0.1%	4.4%	4.9%	10.8%	5.8%	5.2%	10.7%	10.1%	10.3%

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# Trend of Performances (Meitec Fielders)

Re-posted

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

(Millions of Yen)	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Net sales	8,692	9,729	10,382	10,748	10,747	10,582	7,050	8,175	8,510	9,349	10,587	11,911	13,327	14,865	16,981
Cost of sales	6,428	7,234	7,655	7,888	7,759	7,744	6,621	6,361	6,387	7,061	8,084	9,154	10,288	11,540	13,173
Cost of sales to Net sales	74.0%	74.4%	73.7%	73.4%	72.2%	73.2%	93.9%	77.8%	75.1%	75.5%	76.4%	76.9%	77.2%	77.6%	77.6%
Gross profit	2,264	2,495	2,727	2,859	2,987	2,837	429	1,814	2,122	2,287	2,502	2,757	3,039	3,325	3,808
Selling, general and administrative expenses	989	1,174	1,357	1,551	1,677	2,018	1,890	1,238	1,585	1,639	1,646	1,682	1,834	1,978	2,351
SG&A expenses to Net sales	11.4%	12.1%	13.1%	14.4%	15.6%	19.1%	26.8%	15.1%	18.6%	17.5%	15.5%	14.1%	13.8%	13.3%	13.8%
Operating profit	1,275	1,321	1,369	1,308	1,310	819	(1,461)	575	537	648	856	1,073	1,204	1,346	1,456
Operating profit margins	14.7%	13.6%	13.2%	12.2%	12.2%	7.7%	(20.7%)	7.0%	6.3%	6.9%	8.1%	9.0%	9.0%	9.1%	8.6%
Non-operating income	5	6	3	3	10	6	848	182	3	3	1	—	—	1	—
Non-operating expenses	—	—	—	1	1	—	5	1	—	—	15	—	—	1	4
Ordinary profit	1,280	1,328	1,373	1,310	1,319	825	(618)	757	540	651	841	1,074	1,205	1,346	1,452
Ordinary profit margins	14.7%	13.6%	13.2%	12.2%	12.3%	7.8%	(8.8%)	9.3%	6.3%	7.0%	7.9%	9.0%	9.0%	9.1%	8.6%
Extraordinary income	88	5	6	—	—	—	—	1	—	—	—	—	—	—	1
Extraordinary loss	64	—	3	4	5	13	2	1	—	—	—	5	7	—	—
Profit before income taxes	1,304	1,333	1,376	1,306	1,314	811	(620)	756	540	651	841	1,068	1,198	1,346	1,453
Total income taxes	562	544	560	537	544	344	313	(187)	264	272	358	420	412	301	422
Profit	742	789	816	768	769	467	(933)	943	275	378	483	648	786	1,045	1,031
Profit margins	8.5%	8.1%	7.9%	7.1%	7.2%	4.4%	(13.2%)	11.5%	3.2%	4.0%	4.6%	5.4%	5.9%	7.0%	6.1%

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# Trend of Performances (Meitec Next)

Re-posted

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

(Millions of Yen)	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Net sales				8	252	480	334	438	593	734	872	1,131	1,321	1,483	1,662
Cost of sales															
Cost of sales to Net sales															
Gross profit				8	252	480	334	438	593	734	872	1,131	1,321	1,483	1,662
Selling, general and administrative expenses				207	470	559	349	333	446	512	577	746	887	966	1,116
SG&A expenses to Net sales				2,587.5%	186.5%	116.5%	104.5%	76.0%	75.2%	69.8%	66.2%	66.0%	67.1%	65.1%	67.2%
Operating profit				(198)	(217)	(78)	(14)	104	147	221	295	385	433	517	545
Operating profit margins				(2,475.0%)	(86.1%)	(16.3%)	(4.2%)	23.7%	24.8%	30.1%	33.8%	34.0%	32.8%	34.9%	32.8%
Non-operating income				—	—	—	2	2	—	—	—	—	—	—	—
Non-operating expenses				—	—	—	—	—	—	—	—	—	—	—	—
Ordinary profit				(198)	(217)	(78)	(12)	106	147	221	295	385	433	517	545
Ordinary profit margins				(2,475.0%)	(86.1%)	(16.3%)	(3.6%)	24.2%	24.8%	30.1%	33.8%	34.0%	32.8%	34.9%	32.8%
Extraordinary income				—	—	—	—	—	—	—	—	—	—	—	—
Extraordinary loss				—	—	—	—	—	—	—	—	—	—	—	—
Profit before income taxes				(198)	(217)	(78)	(13)	106	147	221	295	385	433	517	544
Total income taxes				—	—	1	—	—	—	19	95	141	145	182	193
Profit				(199)	(217)	(79)	(14)	105	147	201	200	243	288	334	350
Profit margins				(2,487.5%)	(86.1%)	(16.5%)	(4.2%)	24.0%	24.8%	27.4%	22.9%	21.5%	21.8%	22.6%	21.1%

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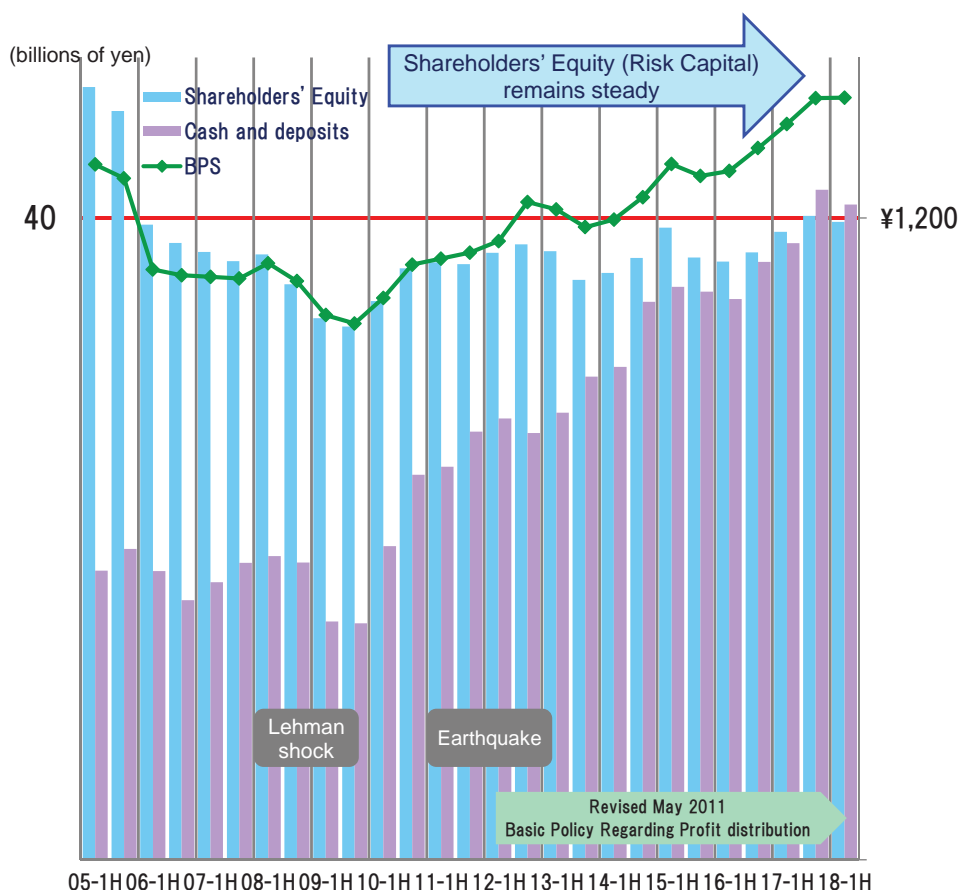
# Trend of Balance Sheets (Group Consolidated)

(Millions of Yen)	2007/3/31	2008/3/31	2009/3/31	2010/3/31	2011/3/31	2012/3/31	2013/3/31	2014/3/31	2015/3/31	2016/3/31	2017/3/31	2018/3/31
Cash and deposits	16,177	18,512	18,526	14,732	23,999	26,686	26,592	30,104	34,773	35,413	37,259	41,753
Notes and accounts receivable - trade	13,256	12,841	10,985	9,582	10,245	10,675	10,887	11,297	12,858	13,823	13,400	13,816
<b>Total current assets</b>	<b>35,564</b>	<b>35,356</b>	<b>33,295</b>	<b>28,444</b>	<b>37,661</b>	<b>40,643</b>	<b>41,802</b>	<b>44,998</b>	<b>51,639</b>	<b>53,104</b>	<b>54,742</b>	<b>59,325</b>
Property, plant and equipment	14,548	13,374	12,818	12,069	11,688	11,257	10,908	10,555	7,207	5,721	5,552	5,399
<b>Total non-current assets</b>	<b>21,914</b>	<b>22,428</b>	<b>20,934</b>	<b>19,180</b>	<b>18,053</b>	<b>16,915</b>	<b>16,199</b>	<b>16,447</b>	<b>13,458</b>	<b>11,363</b>	<b>11,634</b>	<b>11,608</b>
<b>Total assets</b>	<b>57,479</b>	<b>57,784</b>	<b>54,230</b>	<b>47,625</b>	<b>55,714</b>	<b>57,559</b>	<b>58,002</b>	<b>61,445</b>	<b>65,098</b>	<b>64,468</b>	<b>66,377</b>	<b>70,934</b>
Total current liabilities	12,559	13,764	11,026	6,392	10,016	11,165	9,683	12,589	15,797	13,650	14,662	16,176
Total non-current liabilities	6,236	6,422	7,034	7,789	8,603	9,183	9,895	12,667	11,735	13,212	13,860	14,617
<b>Total liabilities</b>	<b>18,795</b>	<b>20,186</b>	<b>18,061</b>	<b>14,181</b>	<b>18,619</b>	<b>20,349</b>	<b>19,579</b>	<b>25,257</b>	<b>27,532</b>	<b>26,862</b>	<b>28,523</b>	<b>30,794</b>
Shareholders' equity	39,144	38,048	36,747	34,101	37,745	38,017	39,264	38,299	39,619	39,973	39,970	42,078
Other net assets	(461)	(449)	(577)	(658)	(651)	(808)	(841)	(2,111)	(2,054)	(2,367)	(2,116)	(1,939)
<b>Total net assets</b>	<b>38,683</b>	<b>37,598</b>	<b>36,169</b>	<b>33,443</b>	<b>37,094</b>	<b>37,209</b>	<b>38,422</b>	<b>36,188</b>	<b>37,565</b>	<b>37,605</b>	<b>37,854</b>	<b>40,139</b>

Cash flows from operating activities	6,010	8,486	6,308	(1,545)	9,291	5,753	5,205	8,893	8,434	6,910	10,186	10,957
Cash flows from investing activities	(955)	124	623	(19)	287	(292)	(465)	(398)	(275)	1,487	(325)	(464)
Cash flows from financing activities	(8,366)	(5,997)	(5,580)	(1,835)	(104)	(2,769)	(4,837)	(4,991)	(3,495)	(7,752)	(8,011)	(5,999)
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>(3,303)</b>	<b>+2,634</b>	<b>+1,313</b>	<b>(3,394)</b>	<b>+9,467</b>	<b>+2,691</b>	<b>(93)</b>	<b>+3,511</b>	<b>+4,668</b>	<b>+643</b>	<b>+1,845</b>	<b>+4,493</b>

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## Shareholders' Equity and Cash and Deposit



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

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(Fractions of one million yen are rounded)	FY2005	FY2006	FY2007	FY2008	FY2009	FY2010	FY2011	FY2012	FY2013	FY2014	FY2015	FY2016	Actual FY2017	Forecast FY2018	
Total Return Ratio	159.0%	2,800.4%	112.7%	123.6%	—	24.7%	92.9%	99.0%	101.2%	116.8%	100.0%	100.1%	80.0%	80.0%	
Dividend Payout ratio	65.1%	1,085.7%	50.5%	58.9%	—	24.7%	68.5%	53.2%	56.1%	92.4%	53.5%	55.2%	61.8%	61.5%	
Dividend on Equity	7.1%	7.4%	6.5%	6.9%	2.4%	2.6%	5.2%	8.4%	6.0%	9.2%	11.4%	11.6%	12.9%		
Annual Dividends	Per Share	@¥90.50	@¥89.00	@¥72.00	@¥75.00	@¥24.50	@¥27.50	@¥58.50	@¥99.00	@¥72.00	@¥111.00	@¥144.00	@¥151.50	@¥177.00	@¥178.50
	Millions of Yen	3,329	3,162	2,488	2,518	812	911	1,925	3,134	2,220	3,373	4,286	4,344	5,008	4,981
2nd Quarter	Per Share	@¥44.00	@¥44.00	@¥37.50	@¥47.00	@¥24.50		@¥29.00	@¥30.00	@¥31.50	@¥44.00	@¥63.00	@¥68.00	@¥74.50	@¥84.00
	Millions of Yen	1,630	1,579	1,304	1,590	812		961	981	983	1,344	1,908	1,968	2,119	2,344
Year-end	Per Share	@¥46.50	@¥45.00	@¥34.50	@¥28.00		@¥27.50	@¥29.50	@¥69.00	@¥40.50	@¥67.00	@¥81.00	@¥83.50	@¥102.50	@¥94.50
	Millions of Yen	1,699	1,583	1,184	928		911	965	2,153	1,237	2,029	2,378	2,375	2,889	2,637
Acquisition of Treasury Shares	Thousands of shares	1,405	1,353	857	1,174			421	1,506	641	269	921	915	257	280
	Millions of Yen	5,100	5,099	3,100	2,800			700	2,800	1,800	899	3,799	3,600	1,500	1,500
Total Shareholders Return	Millions of Yen	8,429	8,261	5,588	5,318	812	911	2,625	5,934	4,020	4,273	8,086	7,944	6,508	6,481
Retirement of Treasury Stock	Thousands of shares	1,562	1,400		342			400	1,700	500	300	900	1,300		
Stock Price TSE#9744	As of April 1	¥3,830	¥3,870	¥3,860	¥3,040	¥1,242	¥1,893	¥1,621	¥1,681	¥2,193	¥2,857	¥3,965	¥3,865	¥4,505	¥5,960
	As of March 31	¥3,870	¥3,800	¥3,020	¥1,216	¥1,831	¥1,664	¥1,669	¥2,343	¥2,930	¥4,025	¥3,935	¥4,520	¥5,890	
Earnings per Share		@¥138.93	@¥8.20	@¥142.64	@¥127.31	@¥(27.30)	@¥111.33	@¥85.45	@¥186.08	@¥128.30	@¥120.12	@¥269.24	@¥274.32	@¥286.64	@¥290.27
Net Assets per Share		@¥1,274.10	@¥1,092.80	@¥1,086.71	@¥1,081.85	@¥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	

## 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

Evaluation of the appropriateness of processes and recommendations to the Board of Directors, etc.

- Appoint and dismissal, selection and removal of directors and audit & supervisory board members (Selection and removal of Representative Director and CEO, nomination of director and audit & supervisory board member candidates, etc.)
- Evaluation of internal executive directors' performance and remuneration for internal executive directors

CEO Candidates Screening Council

### II. Executives(As of June 30, 2018)

	Directors	Audit & Supervisory Board Members	Total
Number	8	4	12
of which Independent & Outside	2	4	6
ratio	25%	100%	50% >

Policy of composition  
One-third or more of attendees

### III. Calculation Method of Executive Remuneration

#### Remuneration Amounts to Individual Executives

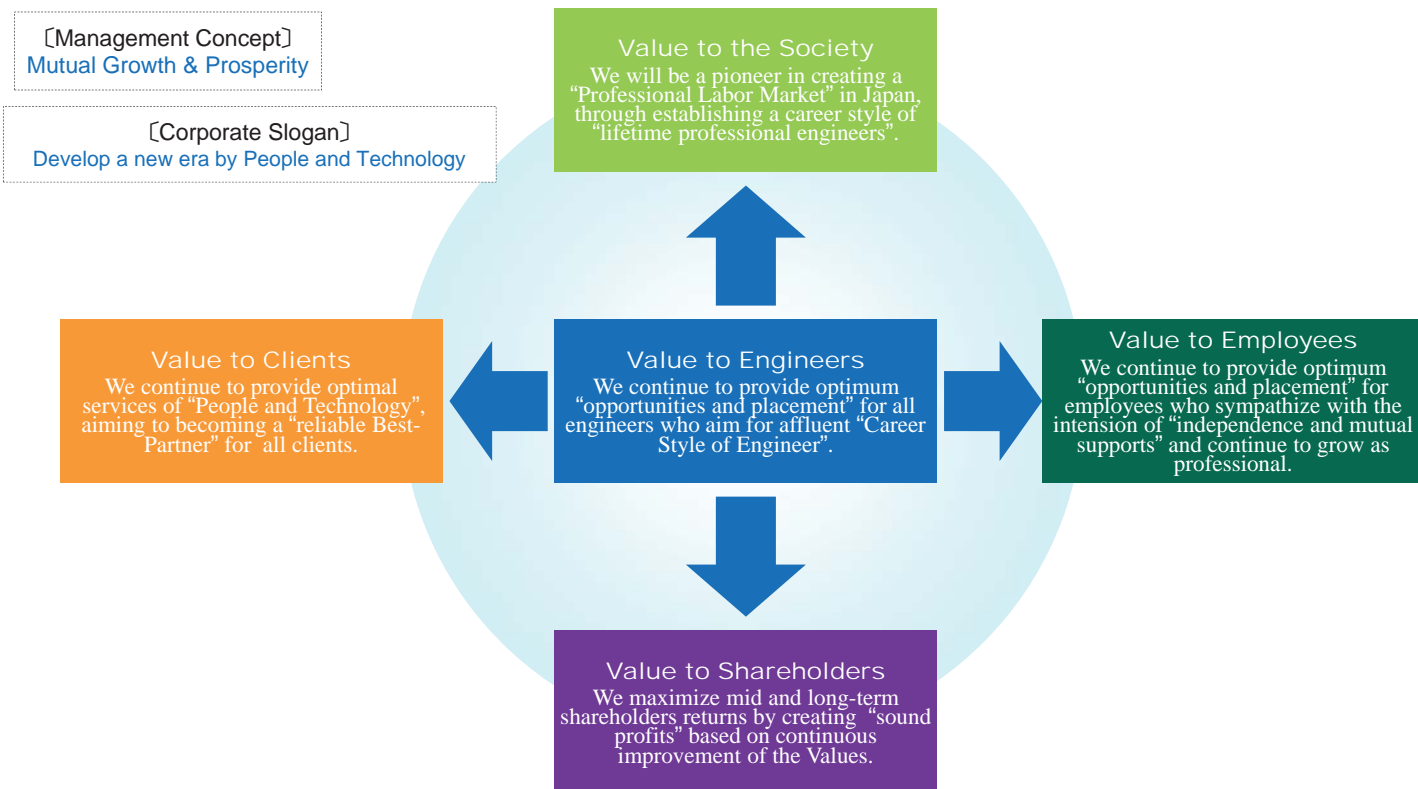
¥1K=JPY1,000-	Revised: April 1, 2016
CEO, MEITEC Group President and CEO, COO (COO)	Yearly payment ¥28,800K (Monthly ¥2,400K)
Director	Yearly payment ¥19,200K (Monthly ¥1,600K)
Outside Director	Yearly payment ¥9,000K (Monthly ¥750K)
Standing audit & supervisory board member	Yearly payment ¥24,000K (Monthly ¥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)

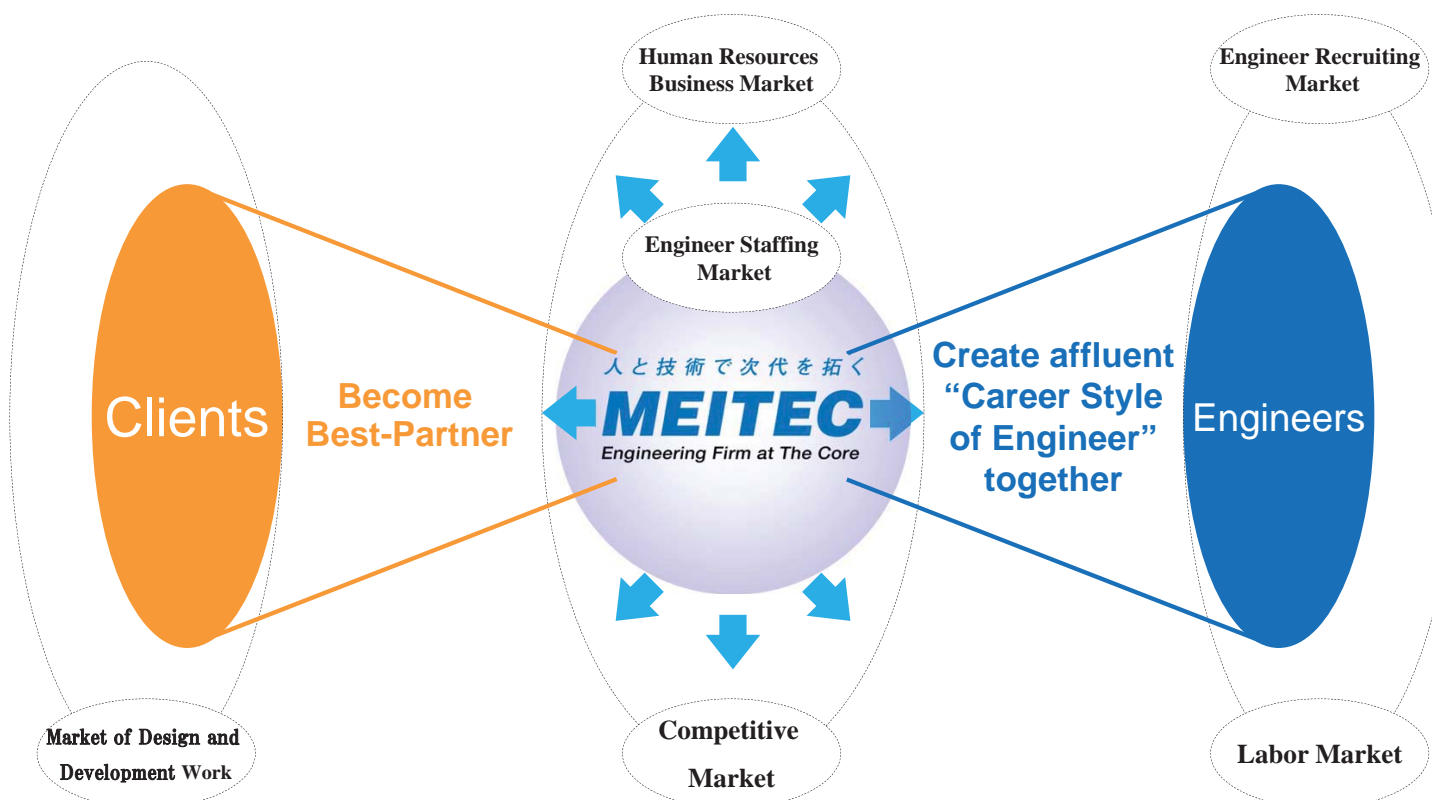
# “Ideal State of the Meitec Group”

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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<b>Tokyo Headquarters</b>	<b>Taito-ku, Tokyo</b>
<b>Nagoya Headquarters</b>	<b>Nishi-ku, Nagoya</b>
<b>Stock listings</b>	<b>Tokyo Stock Exchange, 1st Section (No. 9744)</b>
<b>Incorporated</b>	<b>July 17, 1974</b>
<b>C l i e n t s</b>	<b>Approximately 1,200 blue-chip companies, mostly listed in the first and second sections of Tokyo Stock Exchange</b>
<b>B r a n c h e s</b>	<b>34 Sales offices, including Tokyo, Nagoya, Osaka, and other major Japanese cities</b>
<b>Group Companies</b>	<p>[Engineering Solutions Business]</p> <ul style="list-style-type: none"> <li>■ MEITEC FIELDERS INC.</li> <li>■ MEITEC CAST INC.</li> <li>■ MEITEC EX CORPORATION</li> <li>■ MEITEC BUSINESS SERVICE CORPORATION</li> </ul> <p>[Recruiting &amp; Placement Business for engineers]</p> <ul style="list-style-type: none"> <li>■ MEITEC NEXT CORPORATION</li> </ul>

人と技術で次代を拓く

**MEITEC**

**Engineering Firm at The Core**