

# **MEITEC CORPORATION**

## **Results for the 2<sup>nd</sup> Quarter of the Fiscal Year Ending March 31, 2019**

November 6, 2018

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

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- 1. Results for the 2<sup>nd</sup> Quarter of the Fiscal Year Ending March 31, 2019**
- 2. Forecast for the Fiscal Year Ending March 31, 2019**
- 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, 2019, and forecasts for the fiscal year ending March 31, 2019.
- Please see the Reference Materials later.

## 1. Results for the 2<sup>nd</sup> Quarter of the Fiscal Year Ending March 31, 2019

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- I will begin by discussing results for the second quarter of the fiscal year ending March 31, 2019.

## Results for the 2nd Quarter of the Fiscal Year Ending March 31, 2019 (Group Consolidated)

- ✓ Net sales rose 3.8% year on year, operating profit was up 7.1% YoY, and profit attributable to owners of parent increased 10.2% YoY.
- ✓ In the previous year, head office transfer cost, etc. were recorded as extraordinary losses.

(Fractions of one million yen are rounded down)	2Q ended Sep. 30, 2017	2Q ended Sep. 30, 2018	YoY Amount	% Change	Initial Forecast for 2Q, announced on May 2018	Progress toward the FY forecast
Net sales	45,867	47,621	+ 1,754	+ 3.8%	47,600	+ 21
Cost of sales	34,049	35,288	+ 1,239	+ 3.6%	35,000	+ 288
Cost of sales to Net sales	74.2%	74.1%	(0.1%)			
SG&A Expenses	6,375	6,505	+ 130	+ 2.0%	7,100	(595)
Operating profit	5,442	5,827	+ 384	+ 7.1%	5,500	+ 327
Operating profit margins	11.9%	12.2%	+ 0.4%		11.6%	+ 0.7%
Ordinary profit	5,447	5,830	+ 382	+ 7.0%	5,500	+ 330
Extraordinary income & loss	(60)	9	+ 70			
Profit before income taxes	5,386	5,840	+ 453	+ 8.4%		
Profit attributable to owners of parent	3,526	3,885	+ 359	+ 10.2%	3,600	+ 285
Profit margins	7.7%	8.2%	+ 0.5%			

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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 3.8% year on year to ¥47,621 million, and operating profit increased 7.1% year on year to ¥5,827 million.
- Profit attributable to owners of parent rose 10.2% year on year to ¥3,885 million, reflecting the absence of extraordinary loss recorded in the previous fiscal year, including head office transfer cost.

## Results for the 2nd Quarter of the Fiscal Year Ending March 31, 2019 (Business Domains)

- ✓ The Engineering Solutions Business continued to be the earnings driver ⇒ Net sales rose 3.8% 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)	2Q ended Sep. 30, 2017	2Q ended Sep. 30, 2018	YoY Amount	% Change
Sales of Engineering Solutions Business	45,100	46,792	+ 1,692	+ 3.8%
Component ratio	98.3%	98.3%	(0.1%)	
Operating profit	5,163	5,535	+ 372	+ 7.2%
Sales of Recruiting & Placement Business for Engineers	818	894	+ 75	+ 9.3%
Component ratio	1.8%	1.9%	+ 0.1%	
Operating profit	279	291	+ 12	+ 4.4%

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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 3.8% year on year, and operating profit was up 7.2%.
- The Recruiting & Placement Business for Engineers achieved sales and profit growth against a backdrop of an increase in the number of jobs handled by Meitec Next.

## Results for the 2nd Quarter of the Fiscal Year Ending March 31, 2019 (Meitec)

- ✓ Net sales rose 1.6% year on year, operating profit was up 4.8% YoY, and number of engineers increased 2.4% YoY.
- ✓ The utilization ratio declined 0.6% year on year, due to greater number of newly graduated engineers in April compared with the previous year.

(Fractions of one million yen are rounded down)	2Q ended Sep. 30, 2017	2Q ended Sep. 30, 2018	YoY Amount	% Change	Initial Forecast for 2Q, announced on May 2018	Progress toward the FY forecast
Net sales	35,544	36,116	+ 571	+ 1.6%	36,200	(84)
Cost of sales	26,601	26,969	+ 368	+ 1.4%	26,900	+ 69
Cost of sales to Net sales	74.8%	74.7%	(0.2%)		74.3%	+ 0.4%
SG&A Expenses	4,512	4,502	(10)	(0.2%)	4,900	(398)
Operating profit	4,430	4,644	+ 213	+ 4.8%	4,400	+ 244
Operating profit margins	12.5%	12.9%	+ 0.4%		12.2%	+ 0.7%
Ordinary profit	5,179	5,388	+ 209	+ 4.0%	5,100	+ 288
Extraordinary income & loss	(29)	10	+ 39			
Profit before income taxes	5,149	5,398	+ 248	+ 4.8%		
Profit	3,608	3,808	+ 200	+ 5.6%	3,600	+ 208
Utilization ratio (Company-wide)	96.8%	96.2%	(0.6%)		95.5%	+ 0.7%
Working Hours(h/day)	8.68	8.56	(0.12)	(1.4%)	8.68	(0.12)
Number of Engineers	6,850	7,011	+ 161	+ 2.4%		

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- This shows results for Meitec.
- Net sales increased 1.6% year on year to ¥36,116 million and operating profit rose 4.8% year on year to ¥4,644 million, mainly reflecting growth in the number of engineers assigned to clients and an increase in average pay rate.  
Profit increased 5.6% year on year to ¥3,808 million.
- The utilization ratio declined 0.6 percentage points year on year to 96.2% due to the greater number of newly graduated engineers joining the Company in April 2018 than in the previous fiscal year.
- Working hours declined 0.12 hours per day 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, 2019 (Meitec Fielders)

- ✓ Net sales rose 14.1% year on year, operating profit was up 20.0% YoY, and number of engineers increased 12.8% YoY.
- ✓ The utilization ratio improved 0.7% year on year, due to fewer number of newly graduated engineers in April compared with the previous year.

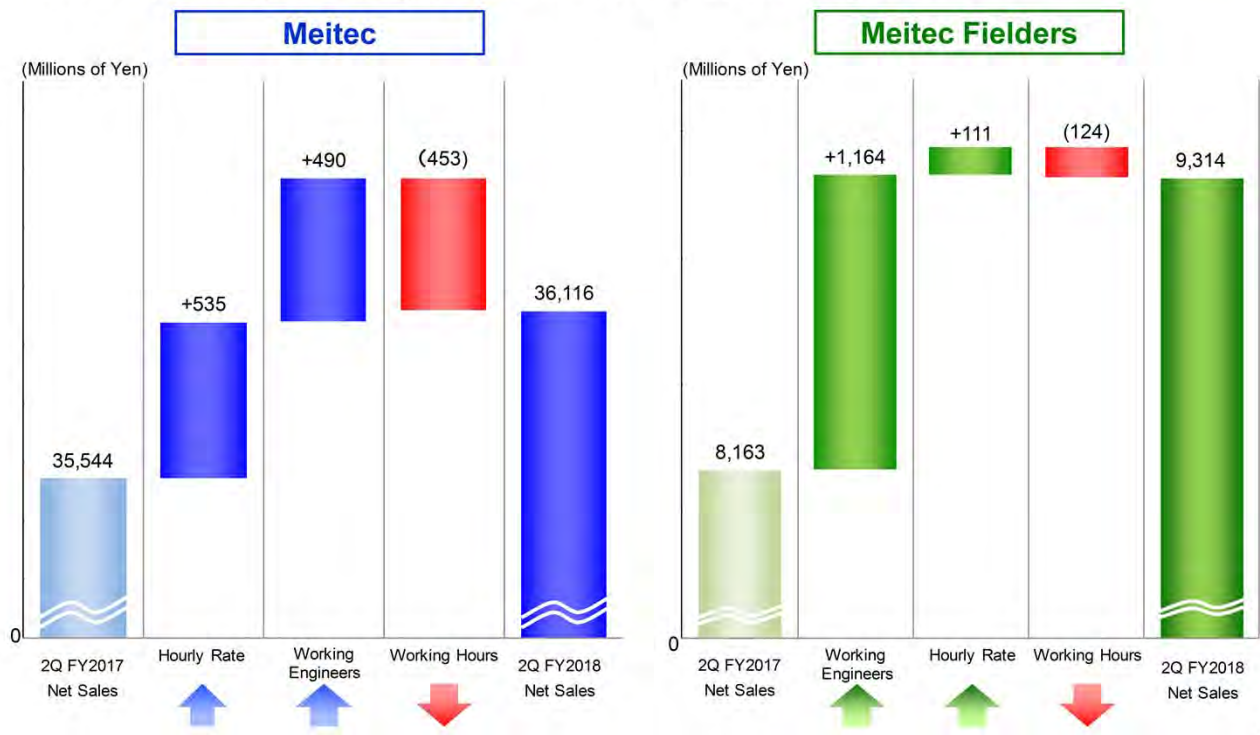
(Fractions of one million yen are rounded down)	2Q ended Sep. 30, 2017	2Q ended Sep. 30, 2018	YoY Amount	% Change	Initial Forecast for 2Q, announced on May 2018	Progress toward the FY forecast
Net sales	8,163	9,314	+1,151	+14.1%	9,100	+214
Cost of sales	6,357	7,245	+888	+14.0%	7,100	+145
Cost of sales to Net sales	77.9%	77.8%	(0.1%)		78.0%	(0.2%)
SG&A Expenses	1,129	1,256	+127	+11.3%	1,300	(44)
Operating profit	677	812	+135	+20.0%	700	+112
Operating profit margins	8.3%	8.7%	+0.4%		7.7%	+1.0%
Ordinary profit	674	812	+138	+20.5%	700	+112
Extraordinary income & loss	0	0	—			
Profit before income taxes	674	812	+137	+20.4%		
Profit	462	561	+99	+21.4%	450	+111
Utilization ratio (Company-wide)	94.1%	94.8%	+0.7%		92.4%	+2.4%
Working Hours<h/day>	8.75	8.61	(0.14)	(1.6%)	8.75	(0.14)
Number of Engineers	2,262	2,552	+290	+12.8%		

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- This shows results for Meitec Fielders.
- Net sales increased 14.1% year on year to ¥9,314 million and operating profit rose 20.0% year on year to ¥812 million, mainly reflecting an increase in the number of engineers assigned to clients. Profit rose 21.4% year on year to ¥561 million.
- The utilization ratio rose 0.7% year on year to 94.8% due to the smaller number of newly graduated engineers joining the Company in April 2018 than in the previous fiscal year.
- A decline in working hours was also seen, as with Meitec, but I will discuss the details 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”.



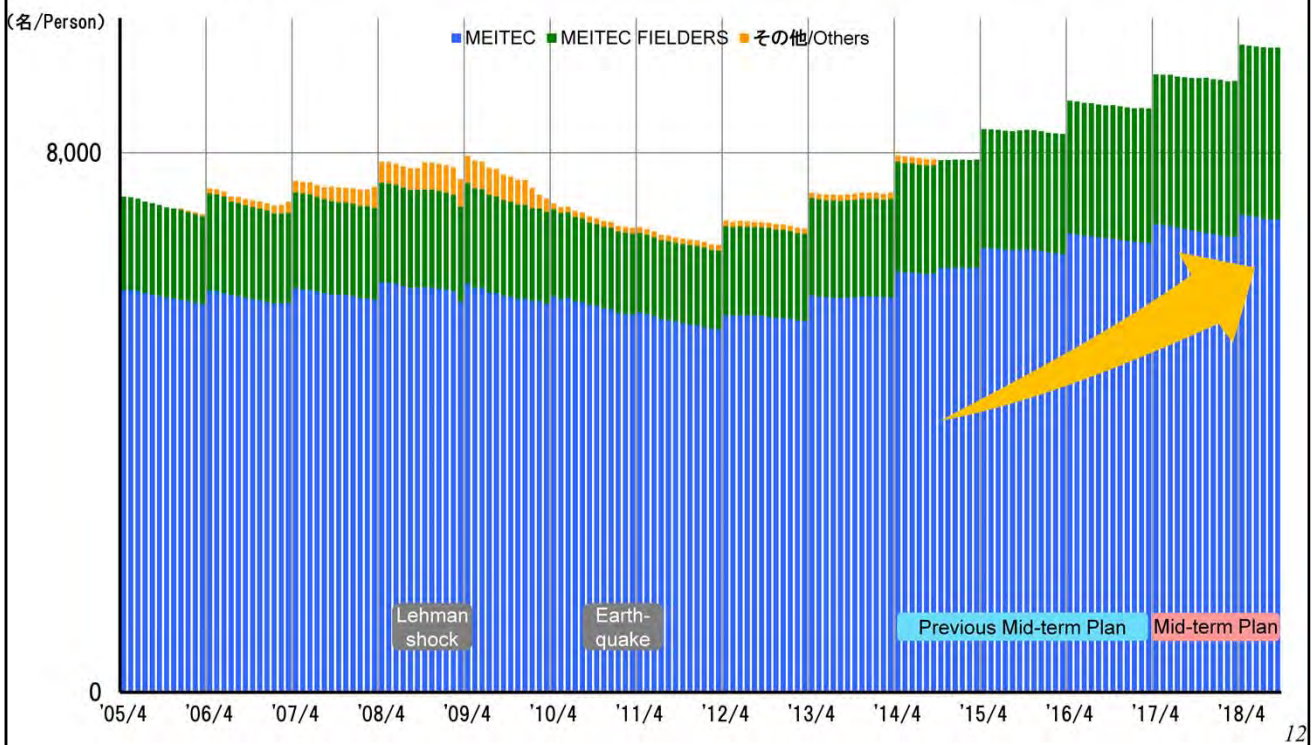
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- This is a breakdown of factors affecting changes in net sales year on year at Meitec and Meitec Fielders.
- The main factors that lifted net sales at both companies were “increase in the number of engineers assigned to clients,” and “increase in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



# Number of Engineers (Group Consolidated)

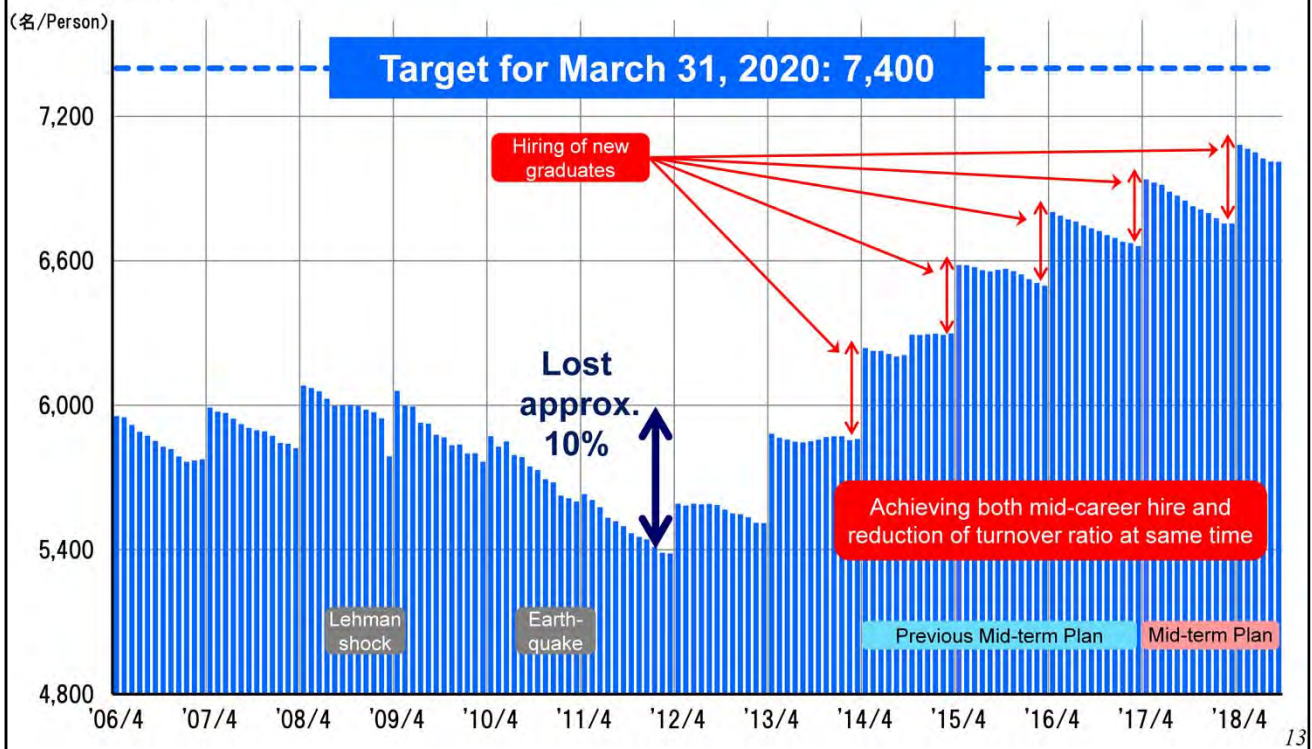
✓ The number of engineers as of September 30, 2018 was 9,563, an increase of 451 engineers, or 4.9%, compared to September 30, 2017.



- This shows the trend in the number of engineers across the Group.
- As of September 30, 2018, the number of engineers was 9,563, increased 451, or 4.9%, compared to September 30, 2017.
- 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, 2018 was 7,011, an increase of 161 engineers, or 2.4%, compared to September 30, 2017.

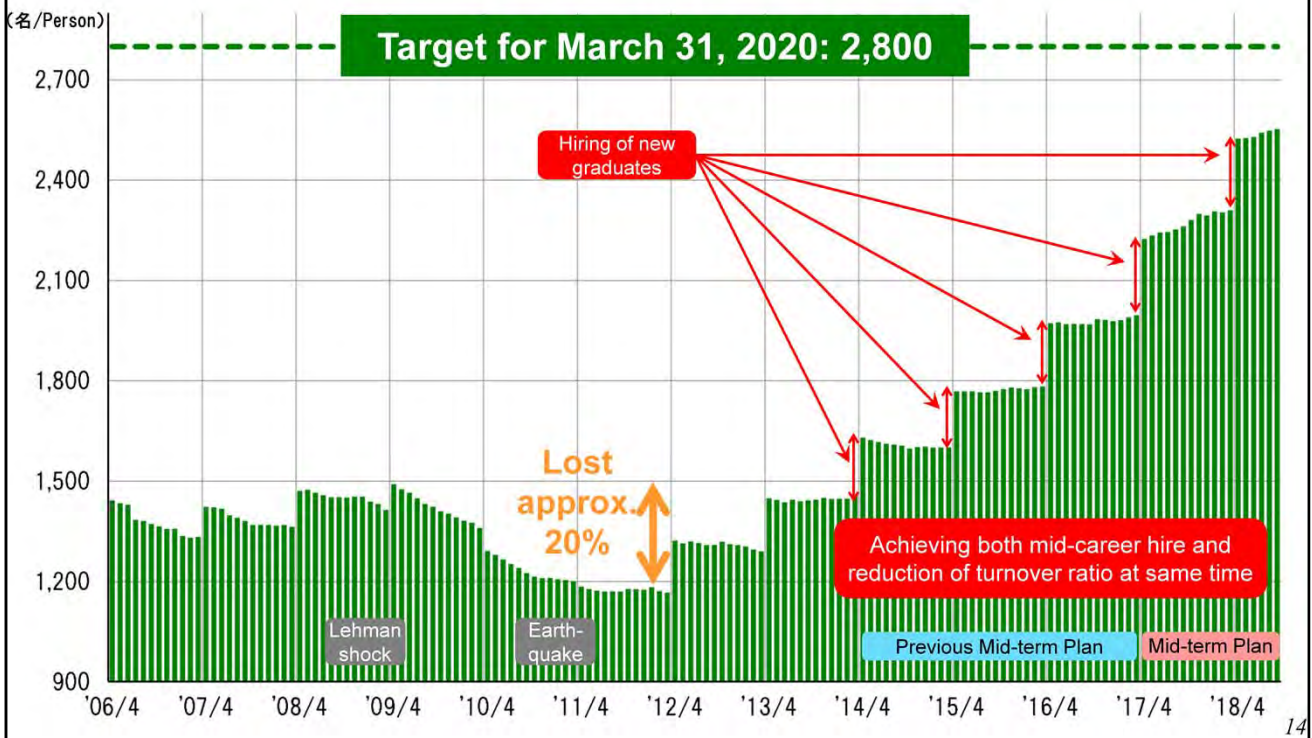


- This shows the trend in the number of engineers at Meitec.
- As of September 30, 2018, the number of engineers was 7,011, increased 161, or 2.4%, compared to September 30, 2017.
- Another approximately 400 engineers are required to reach the target of 7,400 engineers by March 31, 2020 set forth in the Mid-term Management Plan.

While the hiring environment remains challenging, we aim to increase the number of engineers at Meitec by bolstering our ability to acquire applicants through various policies and continuing hiring activities that value applicants' preferences.

# Number of Engineers (Meitec Fielders)

✓ The number of engineers as of September 30, 2018 was 2,552, an increase of 290 engineers, or 12.8%, compared to September 30, 2017.



- This shows the trend in the number of engineers at Meitec Fielders.
- As of September 30, 2018, the number of engineers was 2,552, increased 290, or 12.8%, compared to September 30, 2017.
- Another approximately 250 engineers are required to reach the target of 2,800 engineers by March 31, 2020 set forth in the Mid-term Management Plan.

# 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.

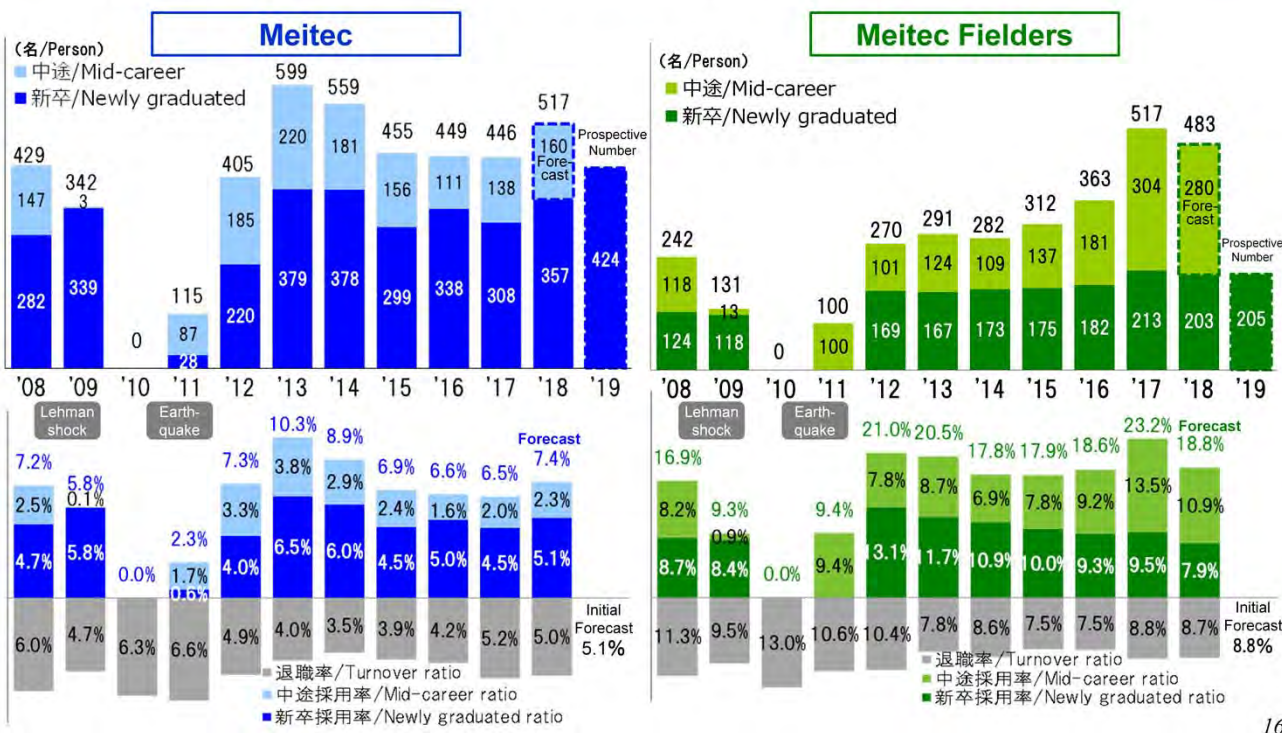
(person)	Fiscal Year Ending March 31, 2019					Fiscal Year Ending March 31, 2020	
	New Graduates April 2018	Mid-career		Total	New Graduates April 2019		
	(Actual)	<Target>	Comparison to Initial Forecast	<Target>	Comparison to Initial Forecast	<Prospective Number as of Oct. 2018>	Comparison to Initial 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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- This shows the recruitment trends for the Group.  
On mid-career hires, there is no end in sight to corporate demand for hiring engineers. The hiring environment remains difficult but we have poured our efforts into recruitment in accordance with order trends, while maintaining our hiring standards focusing on quality. As hiring is proceeding mostly according to plan, we have made no changes to the annual hiring targets.
- Next is the state of newly graduated engineers who will join the Group in April 2019. 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. While maintaining hiring standards, as a result of activities with the inclinations of the new graduates in mind, as of October 1, the Group made offers to 629 candidates, falling slightly for the overall Group, and 11 short of the initial forecast.
- According to newspaper reports, the total number of prospective employees placed the Meitec Group 22nd among Japanese companies and 3rd for science and engineering 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

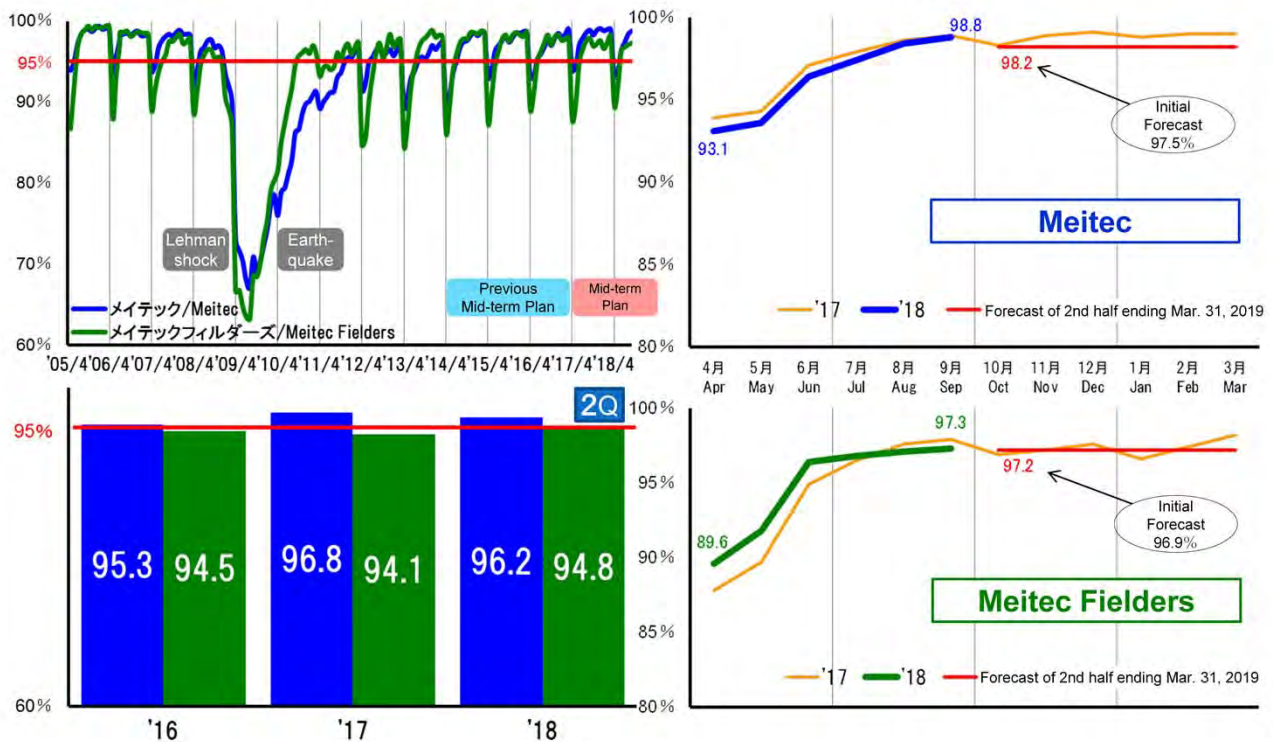
✓ Our forecasts for the number of recruitment and the turnover ratio as of the release of 2Q results are as follows.  
※We plan to announce the actual recruitment and turnover ratios in May 2019.



- 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 5.1% to 5.0 % for Meitec and from 8.8 % to 8.7 % for Meitec Fielders.

# Utilization Ratio

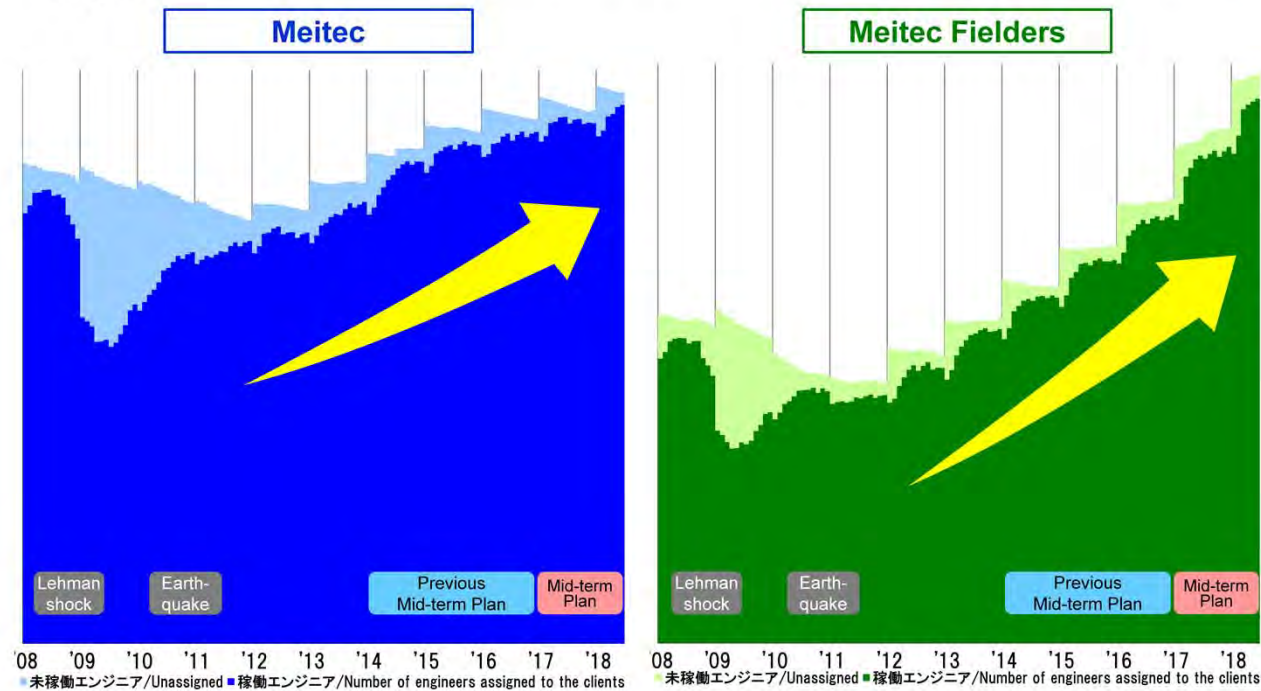
✓ Under a firm environment for order, the utilization ratio remained high.



- This shows the trend in utilization ratios.
- Amid a firm order environment, the utilization ratio for both Meitec and Meitec Fielders was stable, reflecting steady progress in assignments of both newly graduated engineers and existing engineers.
- Furthermore, the single-month utilization ratio for April started at a higher figure than the previous year, as there were around 10 fewer newly graduated engineers at Meitec Fielders than the previous year.

## 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.

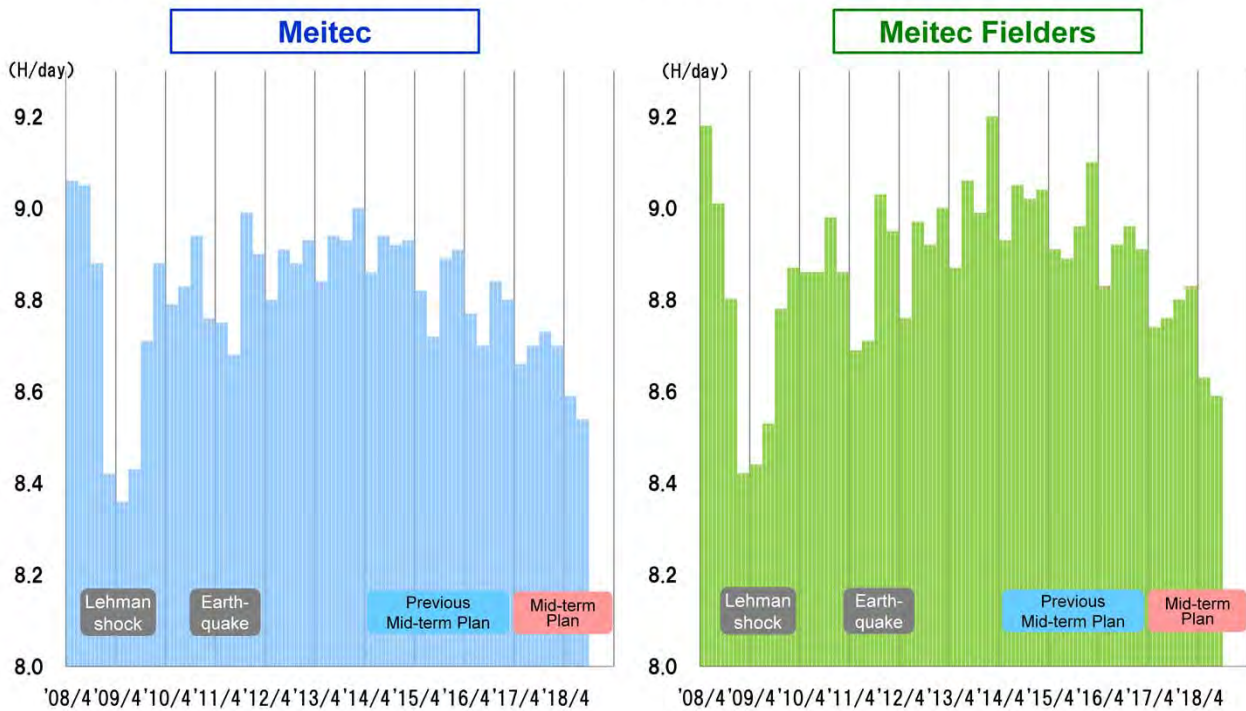


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- This shows the trend in number of engineers assigned to clients.
- The number of engineers assigned to clients has risen steadily due to both an “increase in the number of engineers” and the “maintenance of a high utilization ratio” achieved through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

## Working Hours

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



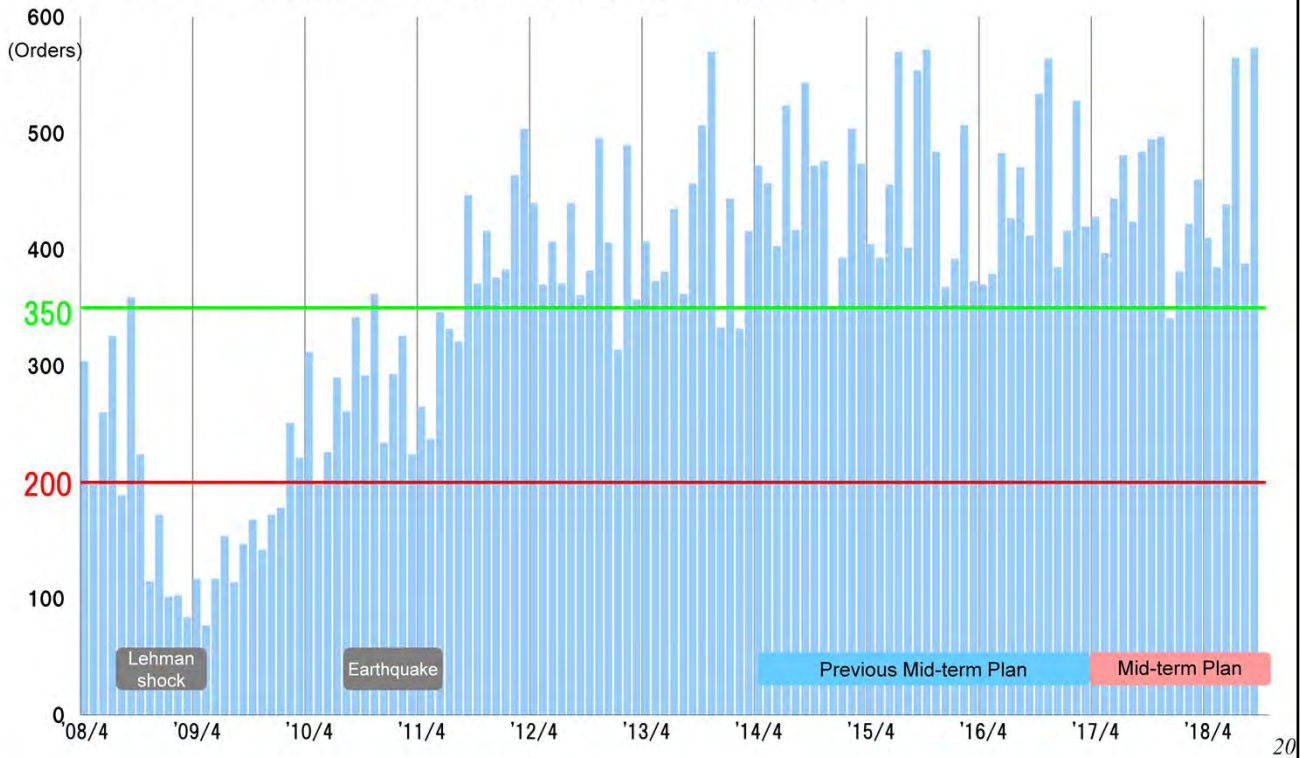
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- This shows the trend in working hours.
- The decline in overtime hours continued from the previous year. Furthermore, regarding the first half, in addition to a large number of public holidays, working hours were affected by natural disasters including typhoons, falling slightly below both the same period in the previous fiscal year and the initial forecast.
- 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, 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)

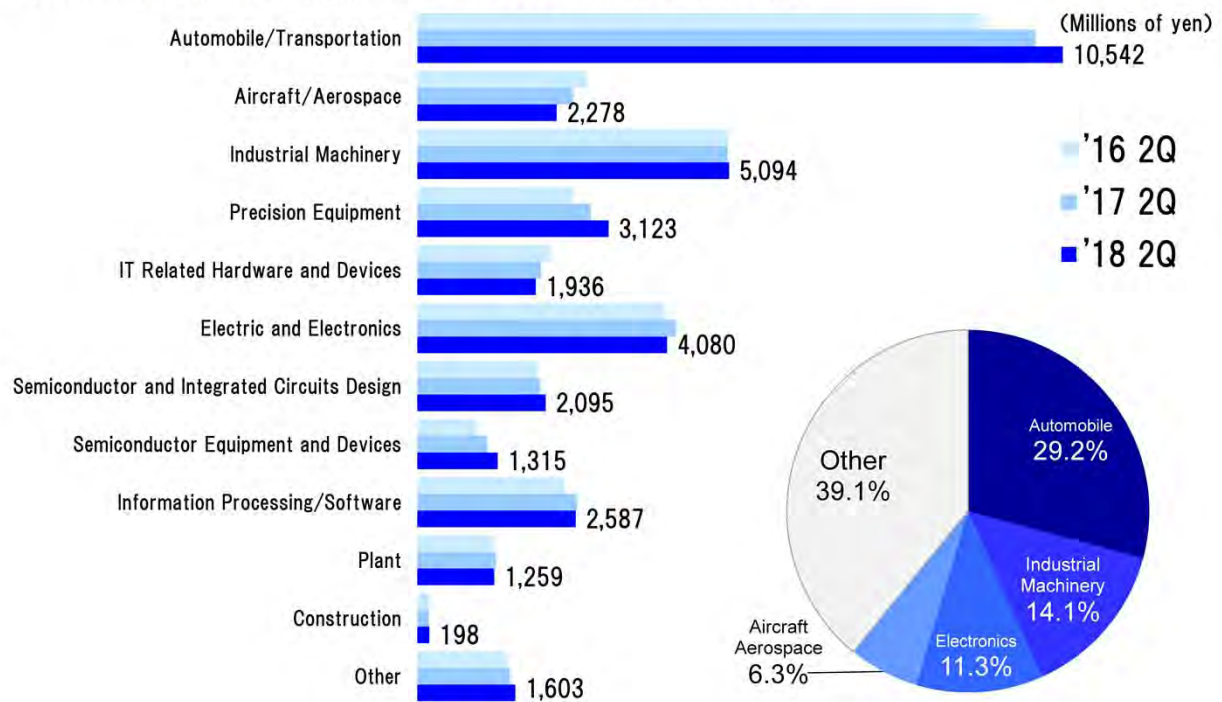
2nd Q FY2013			2nd Q FY2017			2nd Q FY2018		
1	Mitsubishi Heavy Industries		1	Mitsubishi Heavy Industries		1	Denso	
2	Denso		2	Denso		2	Mitsubishi Heavy Industries	
3	Nikon		3	Canon		3	Panasonic	
4	Canon		4	Panasonic		4	Sony Semiconductor Solutions	
5	Panasonic		5	Sony Semiconductor Solutions		5	Canon	
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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- 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 on the Meitec side 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)



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- This shows sales trends by industrial segment.
- Sales growth in the automobile/transportation segment is extremely pronounced.

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 follow 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, 2019.

## 2. Forecast for the Fiscal Year

Ending March 31, 2019

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- In light of recent trends, we have revised our forecasts for the fiscal year ending March 31, 2019. I will now discuss a summary of our forecasts.

## Forecasts for the Fiscal Year Ending March 31, 2019 (Group Consolidated) Comparison to the Initial Forecasts at the beginning of the Fiscal Year

- ✓ The forecast for net sales is unchanged as the results for 1H are according to initial forecast.
- ✓ We have raised our full-year forecast for operating profit by 0.4 billion yen, comprising an upward revision of 0.3 billion yen for 1H and an upward revision of 0.1 billion yen for 2H. As for SG&A expenses, we have dropped our full-year forecast by 0.6 billion yen, comprising a downward revision of 0.6 billion yen for 1H and ±0 billion yen for 2H.
- ✓ Profit attributable to owners of parent: We have raised our full-year forecast by 0.3 billion yen, comprising an upward revision of roughly 0.3 billion yen for 1H and ±0 billion yen for 2H.

(Fractions of one million yen are rounded down)	Forecast FY	Comparison to Initial Forecast	% Change	2Q ended	Forecast	Comparison to Initial Forecast	% Change
	ending March 31, 2019			Sept. 30, 2018	2nd Half		
Net sales	97,000	—	—	47,621	49,378	(21)	—
Cost of sales	71,000	+200	+0.3%	35,288	35,711	(88)	(0.2%)
SG&A Expenses	14,000	(600)	(4.1%)	6,505	7,494	(5)	(0.1%)
Operating profit	12,000	+400	+3.4%	5,827	6,172	+72	+1.2%
Operating profit margins	12.4%	+0.4%		12.2%	12.5%	+0.2%	
Ordinary profit	12,000	+400	+3.4%	5,830	6,169	+69	+1.1%
Profit attributable to owners of parent	8,100	+300	+3.8%	3,885	4,214	+14	+0.3%
Earnings per Share	290.27	+13.53		138.39			

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- This shows a comparison between our new consolidated forecasts for the fiscal year ending March 31, 2019 and our initial forecasts.
- We have made no revisions to our full-year forecast for consolidated net sales of ¥97.0 billion, as performance in the first half was mostly in line with the initial forecast. We have raised our full-year forecast for operating profit by ¥0.4 billion to ¥12.0 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 ¥0.3 billion to ¥8.1 billion.

## Forecasts for the Fiscal Year Ending March 31, 2019 (Group Consolidated) Comparison to the Previous Fiscal Year

- ✓ Net sales is expected to rise 3.6% year on year to 97.0 billion yen, while operating profit is expected to increase 4.7% year on year to 12.0 billion yen.
- ✓ Profit is expected to fall 0.4% year on year to 8.1 billion yen.  
⇒ Due to not projecting extraordinary income & loss that occurred in the previous year.

(Fractions of one million yen are rounded down)	Forecast FY ending March 31, 2019	YoY Amount	% Change	2Q ended Sept. 30, 2018	Forecast 2nd Half	YoY Amount	% Change
Net sales	97,000	+3,381	+3.6%	47,621	49,378	+1,626	+3.4%
Cost of sales	71,000	+1,749	+2.5%	35,288	35,711	+509	+1.4%
SG&A Expenses	14,000	+1,089	+8.4%	6,505	7,494	+959	+14.7%
Operating profit	12,000	+542	+4.7%	5,827	6,172	+157	+2.6%
Operating profit margins	12.4%	+0.2%		12.2%	12.5%	(0.1%)	
Ordinary profit	12,000	+534	+4.7%	5,830	6,169	+151	+2.5%
Profit attributable to owners of parent	8,100	(31)	(0.4%)	3,885	4,214	(391)	(8.5%)
Earnings per Share	290.27	+3.63		138.39			

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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 3.6% year on year or ¥3.4 billion, and operating profit is forecast to rise 4.7% year on year or ¥0.5 billion.
- Because the extraordinary income & loss that occurred in the previous fiscal year are not projected, profit attributable to owners of parent is expected to fall slightly by 0.4% year on year or ¥0.03 billion.

## Forecasts for the Fiscal Year Ending March 31, 2019 (Meitec) Comparison to the Initial Forecasts at the beginning of the Fiscal Year

- ✓ In line with an expected decrease in working hours, we have lowered our full-year forecast for net sales by 0.1 billion yen (slightly decreased).
- ✓ We have raised our full-year forecast for operating profit by 0.3 billion yen, comprising an upward revision of roughly 0.3 billion yen for 1H and ±0 billion yen for 2H.

(Fractions of one million yen are rounded down)	Forecast FY ending March 31, 2019	Comparison to Initial Forecast	% Change	2Q ended Sept. 30, 2018	Forecast 2nd Half	Comparison to Initial Forecast	% Change
Net sales	73,300	(100)	(0.1%)	36,116	37,183	(16)	—
Cost of sales	54,100	—	—	26,969	27,130	(69)	(0.3%)
Cost of sales to Net sales	73.8%	+0.1%		74.7%	73.0%	(0.1%)	
SG&A Expenses	9,600	(400)	(4.0%)	4,502	5,097	(2)	—
Operating profit	9,600	+300	+3.2%	4,644	4,955	+55	+1.1%
Operating profit margins	13.1%	+0.4%		12.9%	13.3%	+0.1%	
Ordinary profit	10,300	+300	+3.0%	5,388	4,911	+11	+0.2%
Profit	7,200	+200	+2.9%	3,808	3,391	(8)	(0.3%)
Utilization ratio (Company-wide)	97.2%	+0.7%	Comparison to Initial Forecast <b>+0.7%</b>	96.2%	98.2%	+0.6%	
Working Hours〈h/day〉	8.58	(0.12)		8.56	8.60	(0.11)	
Number of Recruitment	517	—		Expected New Graduates for April 2019		Comparison to Initial Forecast	
Newly graduated	357	—		424		+24	
Mid-career	160	—					
Turnover Ratio	5.0%	(0.1%)					

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- This shows a comparison between our new forecasts and our initial forecasts for Meitec.
- In line with an expected decrease in working hours, we have lowered our full-year forecast for net sales by ¥0.1 billion from the initial forecast to ¥73.3 billion.
- Because we expect to be covered by an increase in the utilization ratio and an increase in the average pay rate, our forecast for net sales for the second half is mostly unchanged from our initial forecast.
- Because we expect a decrease in SG&A expenses due to lower hiring costs and other factors, we have raised our full-year forecast for operating profit by ¥0.3 billion from the initial forecast to ¥9.6 billion.
- We have raised our full-year forecast for profit by ¥0.2 billion to ¥7.2 billion.

## Forecasts for the Fiscal Year Ending March 31, 2019 (Meitec) Comparison to the Previous Fiscal Year

- ✓ Net sales is expected to rise 1.4% year on year to 73.3 billion yen, while operating profit is expected to increase 2.8% year on year to 9.6 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, 2019	YoY Amount	% Change	2Q ended Sept. 30, 2018	Forecast 2nd Half	YoY Amount	% Change
Net sales	73,300	+1,047	+1.4%	36,116	37,183	+475	+1.3%
Cost of sales	54,100	+238	+0.4%	26,969	27,130	(129)	(0.5%)
Cost of sales to Net sales	73.8%	(0.7%)		74.7%	73.0%	(1.3%)	
SG&A Expenses	9,600	+551	+6.1%	4,502	5,097	+561	+12.4%
Operating profit	9,600	+257	+2.8%	4,644	4,955	+43	+0.9%
Operating profit margins	13.1%	+0.2%		12.9%	13.3%	(0.1%)	
Ordinary profit	10,300	+194	+1.9%	5,388	4,911	(14)	(0.3%)
Profit	7,200	(261)	(3.5%)	3,808	3,391	(461)	(12.0%)
Utilization ratio (Company-wide)	97.2%	(0.6%)		96.2%	98.2%	(0.6%)	
Working Hours〈h/day〉	8.58	(0.12)		8.56	8.60	(0.11)	
Number of Recruitment	517	+71					
Newly graduated	357	+49					
Mid-career	160	+22					
Turnover Ratio	5.0%	(0.1%)					
				Expected New Graduates for April 2019		To Apr. 2018	
				424		67	

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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 1.4% year on year by ¥1.05 billion, while operating profit is expected to increase 2.8% year on year by ¥0.26 billion and profit is expected to fall 3.5% year on year by ¥0.26 billion.
- This reflects the absence of the extraordinary loss related to the head office transfer cost recorded in the previous fiscal year, as well as the absence of the reduced tax burden in the current fiscal year.



**Forecasts for the Fiscal Year Ending March 31, 2019 (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 0.2 billion yen, comprising an upward revision of 0.2 billion yen for 1H and ±0 billion yen for 2H.
- ✓ We have raised our full-year forecast for operating profit by 0.05 billion yen (slightly increased).

(Fractions of one million yen are rounded down)	Forecast FY ending March 31, 2019	Comparison to Initial Forecast	% Change	2Q ended Sept. 30, 2018	Forecast 2nd Half	Comparison to Initial Forecast	% Change
Net sales	19,000	+200	+1.1%	9,314	9,685	(14)	(0.2%)
Cost of sales	14,650	+150	+1.0%	7,245	7,404	+4	+0.1%
Cost of sales to Net sales	77.1%	—	—	77.8%	76.4%	+0.1%	—
SG&A Expenses	2,700	—	—	1,256	1,443	+43	+3.1%
Operating profit	1,650	+50	+3.1%	812	837	(62)	(6.9%)
Operating profit margins	8.7%	+0.2%	—	8.7%	8.7%	(0.6%)	—
Ordinary profit	1,650	+50	+3.1%	812	837	(62)	(7.0%)
Profit	1,050	+50	+5.0%	561	488	(61)	(11.2%)
Utilization ratio (Company-wide)	96.0%	+1.3%	Comparison to Initial Forecast <b>+2.4%</b>	94.8%	97.2%	+0.3%	—
Working Hours〈h/day〉	8.64	(0.14)		8.61	8.67	(0.14)	—
Number of Recruitment	483	—	Expected New Graduates for April 2019			Comparison to Initial Forecast	—
Newly graduated	203	—					(35)
Mid-career	280	—					
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 ¥0.2 billion to ¥19.0 billion and slightly raised our full-year forecast for operating profit by ¥0.05 billion to ¥1.65 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 working hours, our forecast for net sales for the second half is mostly unchanged from our initial forecast.

## Forecasts for the Fiscal Year Ending March 31, 2019 (Meitec Fielders) Comparison to the Previous Fiscal Year

- ✓ Net sales is expected to rise 11.9% year on year to 19.0 billion yen, while operating profit is expected to increase 13.2% year on year to 16.5 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, 2019	YoY Amount	% Change	2Q ended Sept. 30, 2018	Forecast 2nd Half	YoY Amount	% Change
Net sales	19,000	+2,018	+11.9%	9,314	9,685	+867	+9.8%
Cost of sales	14,650	+1,476	+11.2%	7,245	7,404	+588	+8.6%
Cost of sales to Net sales	77.1%	(0.5%)		77.8%	76.4%	(0.9%)	
SG&A Expenses	2,700	+348	+14.8%	1,256	1,443	+221	+18.1%
Operating profit	1,650	+192	+13.2%	812	837	+57	+7.4%
Operating profit margins	8.7%	+0.1%		8.7%	8.7%	(0.1%)	
Ordinary profit	1,650	+197	+13.6%	812	837	+59	+7.6%
Profit	1,050	+18	+1.8%	561	488	(80)	(14.2%)
Utilization ratio (Company-wide)	96.0%	+0.3%		94.8%	97.2%	(0.1%)	
Working Hours〈h/day〉	8.64	(0.14)		8.61	8.67	(0.14)	
Number of Recruitment	483	(34)					
Newly graduated	203	(10)		Expected New Graduates for April 2019		To Apr. 2018	
Mid-career	280	(24)		205		+2	
Turnover Ratio	8.7%	(0.1%)					

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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 11.9% year on year or ¥2.0 billion to ¥19.0 billion.  
Operating profit is expected to increase 13.2% year on year or around ¥0.2 billion to around ¥1.6 billion.  
SG&A expenses is expected to increase 14.8% year on year.  
This increase in SG&A expenses reflects higher hiring costs.
- Profit increased 1.8% year on year to ¥1.05 billion.

# 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 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>	
<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.

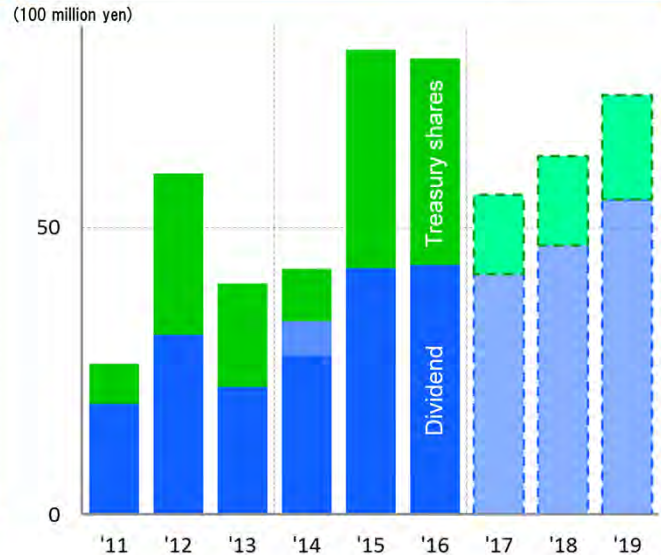
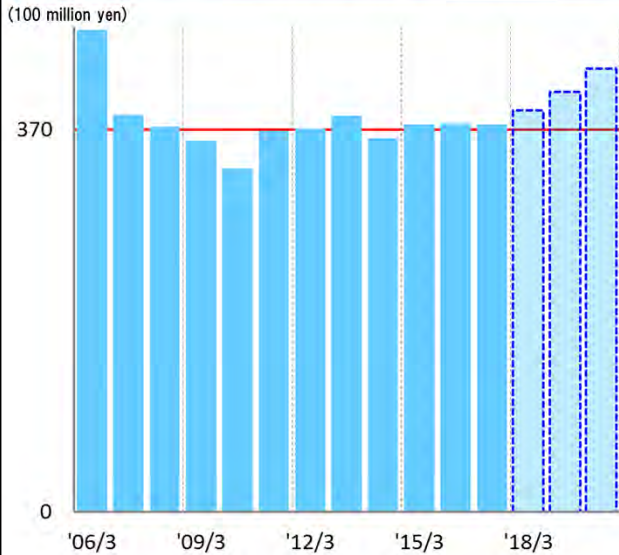
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- I will discuss our results and forecast of profit distribution.
- We have revised the upper limit for holding treasury shares in the “Basic Policy Regarding Profit Distribution” to 5% of shares issued. Previously the upper limit was two million shares.
- The background behind this revision is that ten years have passed since we set the two million shares upper limit for holding treasury shares, and during that time, the number of shares issued has fallen due to treasury shares acquisition and retirement, causing the maximum shares ownership ratio to rise.
- While there are no changes besides the change to the upper limit for holding treasury shares, we recently changed our basic policy.

# 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)

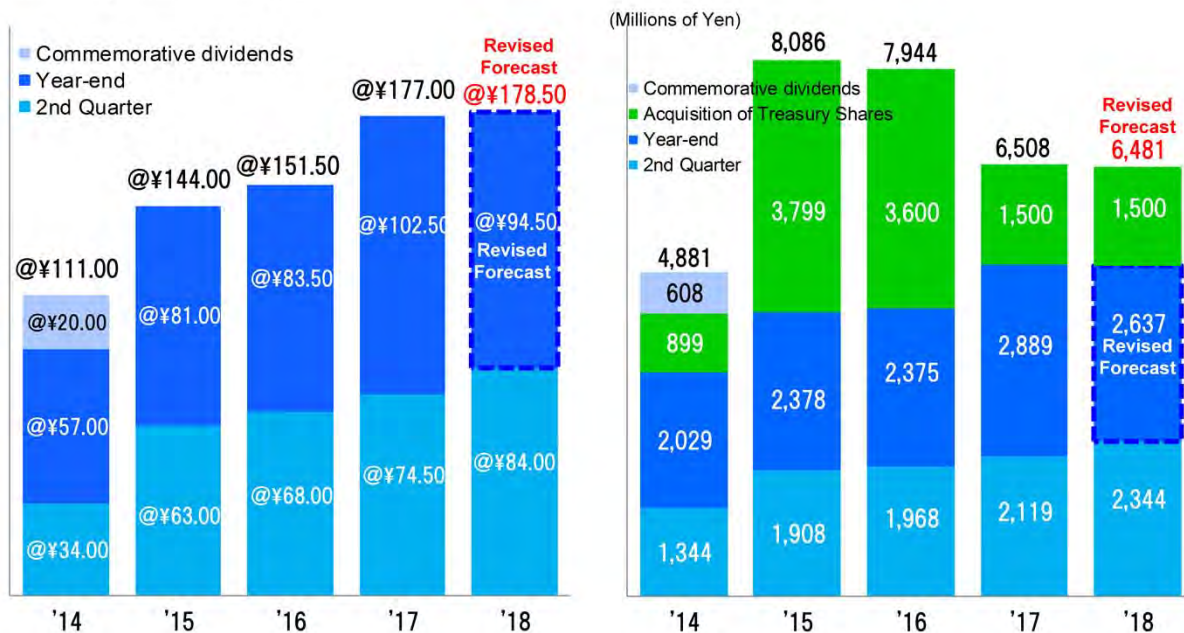
2. Total return ratio for 3 years is roughly 80%  
(1) Dividend payout ratio: 60%  
(2) Purchase of treasury shares: 20%  
(The breakdown reflects the dialogue with shareholders and investors)



- We have made no changes to the plan of profit distribution for three years in the Medium-term Management Plan presented at the results presentation on May 11, 2017.

# 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



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- In line with the 80% total return ratio in our profit distribution plan for three years (60% dividend payout ratio, 20% purchase of treasury shares), we are revising our dividend payments.
- As profit in the first half exceeded our initial forecasts, we have revised up the interim dividend by ¥7 from our initial forecast to ¥84 per share.
- Furthermore, as we upwardly revised our full-year profit forecast to ¥8.1 billion, based on a dividend payout ratio of 60%, we have increased our year-end dividend forecast by ¥2.50 from the initial forecast of ¥92 to ¥94.50 and our annual dividend forecast to ¥178.50.

- ✓ While bearing in mind the purpose of revising the code, we held a discussion at the Board of Directors, covering each issue deeply, and revised the “Basic Policy” and the “Appointment and Nomination Standards.”

\* For details, please refer to the Corporate Governance Report submitted to the Tokyo Stock Exchange, on our website. (<https://www.meitec.co.jp/e/company/principal/governance.html>)

- ✓ The outside directors and audit & supervisory board members suggested, “There should be active disclosure of our philosophy.” This led to the addition of six new items to the explanation, resulting in seven items in total.

(Policies and procedures for appointments and dismissals; succession planning for CEO, etc.; method of determining remuneration; appointment and dismissal of CEO; gender and internationalism; explanation in advance regarding resource allocation for investments and whistleblowing)

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- Lastly, I would like to discuss our response to revisions in the corporate governance code.
- While bearing in mind the purpose of revising the code, we held a discussion at the Board of Directors, covering each issue deeply, and revised both the basic policy on corporate governance and the appointment standards for directors and audit & supervisory board members. These revisions were announced today and are now available on our website, so please take a look later.
- The outside directors and audit & supervisory board members suggested, “There should be active disclosure of our philosophy.” This led to the addition of six new items to the explanation, resulting in seven items in total.
- We will continue to work tirelessly to improve the effectiveness of corporate governance.
- That ends my presentation today.  
I hope we can count on your continued understanding and support as we strive to meet the expectations of all our stakeholders.  
Thank you for listening.