

# MEITEC CORPORATION

## Results for the Fiscal Year Ended March 31, 2018

May 10, 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 Fiscal Year Ended March 31, 2018**
- 2. Progress on Mid-term Management Plan**
- 3. Forecast for the Fiscal Year Ending March 31, 2019**
- 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.

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- I will now discuss the following:
  1. Results for the fiscal year ended March 31, 2018;
  2. Progress on Mid-term Management Plan; and
  3. Forecast for the fiscal year ending March 31, 2019.
- Please take a look at 4. Reference materials later.

**1. Results for the Fiscal Year**  
**Ended March 31, 2018**

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**MEITEC**  
Engineering Firm at The Core

- I will begin by discussing results for the fiscal year ended March 31, 2018.

## Results for the Fiscal Year Ended March 31, 2018 (Group Consolidated)

- ✓ Net sales rose 4.0% year on year, operating profit was up 2.8% YoY, and profit attributable to owners of parent increased 2.5% YoY.

(Fractions of one million yen are rounded down)	FY ended March. 31, 2017	FY ended March. 31, 2018	YoY Amount	% Change	Past Forecasts	Progress toward the FY forecast
Net sales	89,979	93,618	+3,639	+4.0%	93,000	+618
Cost of sales	66,417	69,250	+2,833	+4.3%	68,700	+550
Cost of sales to Net sales	73.8%	74.0%	+0.2%			
SG&A Expenses	12,418	12,910	+491	+4.0%	13,400	(490)
Operating profit	11,142	11,458	+315	+2.8%	10,900	+558
Operating profit margins	12.4%	12.2%	(0.2%)		11.7%	+0.5%
Ordinary profit	11,145	11,465	+320	+2.9%	10,900	+565
Extraordinary income & loss	(14)	75	+89			
Profit before income taxes	11,131	11,541	+410	+3.7%		
Profit attributable to owners of parent	7,937	8,132	+194	+2.5%	7,400	+732
Profit margins	8.8%	8.7%	(0.1%)			
Return on Equity (ROE)	21.1%	20.9%	(0.2%)			
Ordinary profit to total assets ratio	17.0%	16.7%	(0.3%)			

- 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 4.0% year on year to ¥93,618 million, operating profit increased 2.8% year on year to ¥11,458 million, and profit attributable to owners of parent increased 2.5% year on year to ¥8,132 million.
- Net sales exceeded our forecast as the utilization ratio was 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, 2018 (Business Domains)

- ✓ The Engineering Solutions Business continued to be the earnings driver ⇒ Net sales rose 5.2% year on year.
- ✓ Recruiting & Placement Business for Engineers recorded a net sales increase after having absorbed the negative impact from a business in China (Shanghai) that stopped providing services.

	(Fractions of one million yen are rounded down)		YoY Amount	% Change
	FY ended March. 31, 2017	FY ended March. 31, 2018		
Sales of Engineering Solutions Business	87,518	92,056	+4,537	+5.2%
Component ratio	97.3%	98.3%	+1.0%	
Operating profit	10,661	10,912	+251	+2.4%
Sales of Recruiting & Placement Business for Engineers	1,641	1,662	+20	+1.2%
Component ratio	1.8%	1.8%	—	
Operating profit	528	545	+16	+3.1%

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- This shows results for the Group's business domains.
- In the Engineering Solutions Business, net sales rose 5.2% year on year, and operating profit was up 2.4%.
- In the Recruiting & Placement Business for Engineers, both sales and profit increased, despite the impact of lower sales due to the end of service provision by our China (Shanghai) business, etc. in the previous fiscal year.



## Results for the Fiscal Year Ended March 31, 2018 (Meitec)

- ✓ Net sales rose 3.1% year on year, operating profit was up 1.4% YoY, and number of engineers increased 1.4% YoY.
- ✓ The utilization ratio improved 1.1% year on year, mainly due to steady progress in assigning newly graduated engineers.

(Fractions of one million yen are rounded down)	FY ended March. 31, 2017	FY ended March. 31, 2018	YoY Amount	% Change	Past Forecasts	Progress toward the FY forecast
Net sales	70,083	72,252	+2,169	+3.1%	72,000	+252
Cost of sales	52,013	53,861	+1,847	+3.6%	53,500	+361
Cost of sales to Net sales	74.2%	74.5%	+0.3%		74.3%	+0.2%
SG&A Expenses	8,856	9,048	+192	+2.2%	9,500	(452)
Operating profit	9,213	9,342	+129	+1.4%	9,000	+342
Operating profit margins	13.1%	12.9%	(0.2%)		12.5%	+0.4%
Ordinary profit	9,798	10,105	+307	+3.1%	9,700	+405
Extraordinary income & loss	(21)	102	+124			
Profit before income taxes	9,776	10,208	+432	+4.4%		
Profit	7,073	7,461	+387	+5.5%	6,800	+661
Utilization ratio (Company-wide)	96.7%	97.8%	+1.1%		97.3%	+0.5%
Working Hours <h/day>	8.78	8.70	(0.08)	(0.9%)	8.72	(0.02)
Number of Recruitment	449	446	(3)	(0.7%)	458	(12)
Newly graduated	338	308	(30)	(8.9%)	308	—
Mid-career	111	138	+27	+24.3%	150	(12)
Turnover Ratio	4.2%	5.2%	+1.0%		5.1%	+0.1%
Number of Engineers	6,661	6,755	+94	+1.4%		

- This shows results for Meitec.
- Net sales increased 3.1% year on year to ¥72,252 million and operating profit rose 1.4% year on year to ¥9,342 million, mainly reflecting growth in the number of engineers assigned to clients. Profit increased 5.5% year on year to ¥7,461 million.
- The number of engineers increased 1.4% year on year.
- The utilization ratio improved 1.1 percentage points year on year to 97.8%, and was 0.5 percentage points higher than our initial forecast. This was due to the steady progress in assigning newly graduated engineers.
- Working hours declined both year on year and compared to the initial forecasts. I will discuss this in more detail later on.

## Results for the Fiscal Year Ended March 31, 2018 (Meitec Fielders)

- ✓ Net sales rose 14.2% year on year, operating profit was up 8.2% YoY, and number of engineers increased 15.7%.
- ✓ Profit declined slightly, down 1.4%, due to the absence of a reduction in the tax burden that occurred in the previous fiscal year.

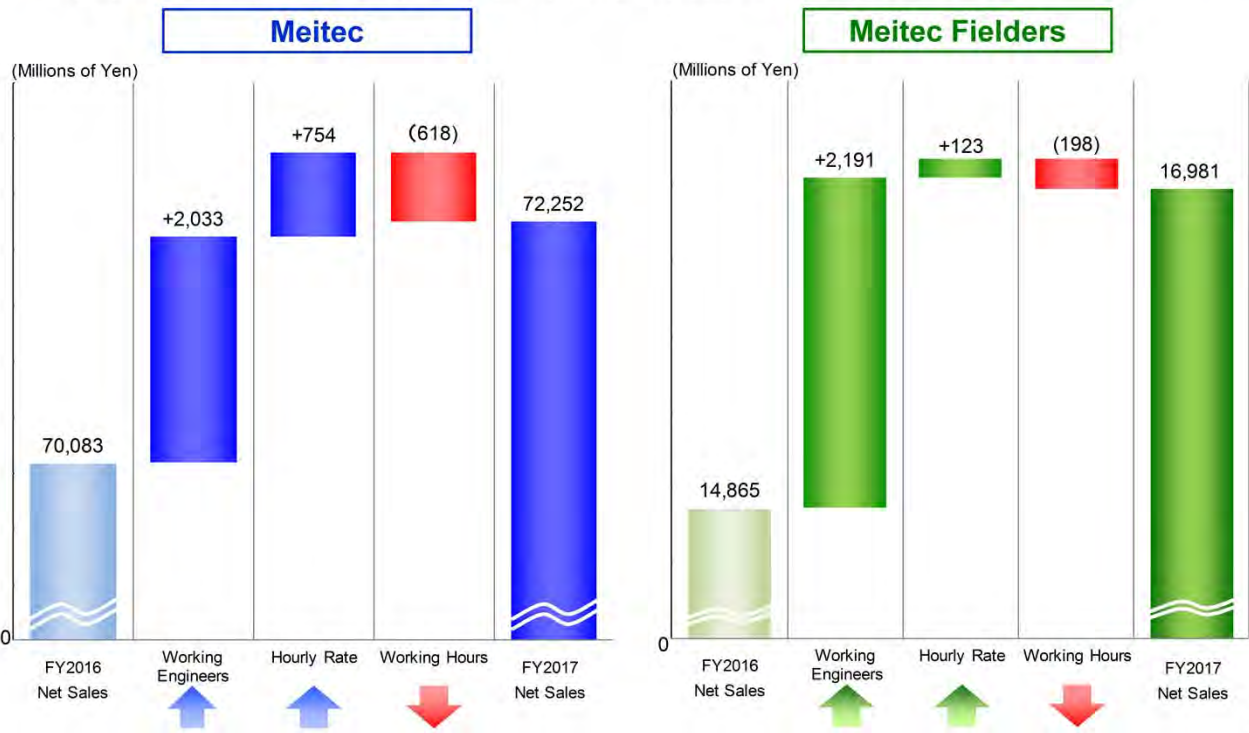
(Fractions of one million yen are rounded down)	FY ended March. 31, 2017	FY ended March. 31, 2018	YoY Amount	% Change	Past Forecasts	Progress toward the FY forecast
Net sales	14,865	16,981	+2,116	+14.2%	16,700	+281
Cost of sales	11,540	13,173	+1,633	+14.2%	12,900	+273
Cost of sales to Net sales	77.6%	77.6%	—		77.2%	+0.4%
SG&A Expenses	1,978	2,351	+372	+18.8%	2,400	(49)
Operating profit	1,346	1,456	+110	+8.2%	1,400	+56
Operating profit margins	9.1%	8.6%	(0.5%)		8.4%	+0.2%
Ordinary profit	1,346	1,452	+105	+7.8%	1,400	+52
Extraordinary income & loss	0	1	+1			
Profit before income taxes	1,346	1,453	+106	+7.9%		
Profit	1,045	1,031	(14)	(1.4%)	900	+131
Utilization ratio (Company-wide)	96.2%	95.7%	(0.5%)		95.5%	+0.2%
Working Hours<h/day>	8.91	8.78	(0.13)	(1.5%)	8.79	(0.01)
Number of Recruitment	363	517	+154	+42.4%	493	+24
Newly graduated	182	213	+31	+17.0%	213	—
Mid-career	181	304	+123	+68.0%	280	+24
Turnover Ratio	7.5%	8.8%	+1.3%		9.3%	(0.5%)
Number of Engineers	1,996	2,310	+314	+15.7%		

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- This shows results for Meitec Fielders.
- Net sales increased 14.2% year on year to ¥16,981 million and operating profit rose 8.2% year on year to ¥1,456 million, mainly reflecting an increase in the number of engineers assigned to clients, as with Meitec. Profit declined 1.4% year on year to ¥1,031 million, due to the absence of the reduction in the tax burden that occurred in the previous fiscal year.
- The number of engineers increased 15.7% year on year, and the utilization ratio fell 0.5% year on year to 95.7%, due to the 123 person, or 68.0%, year on year increase in the number of mid-career hires.
- 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”

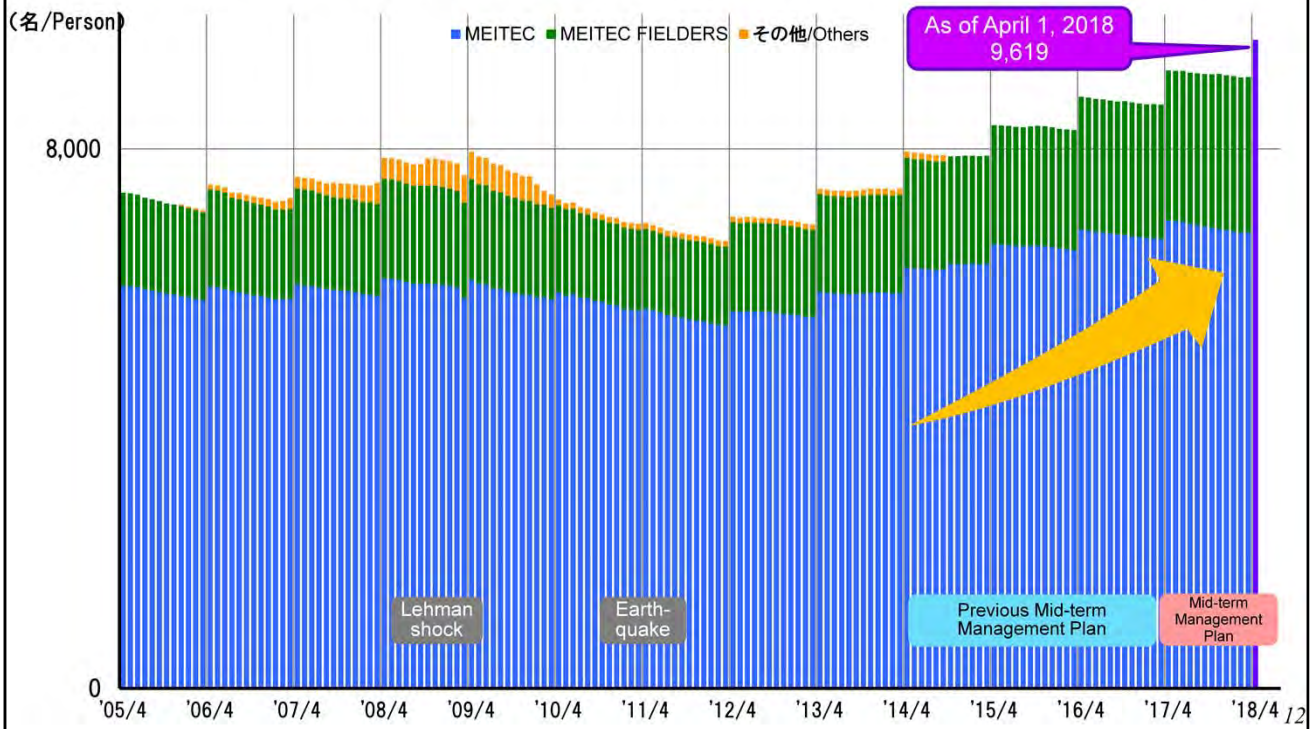


- This is a breakdown of factors affecting changes in net sales at Meitec and Meitec Fielders.
- The main factors that lifted net sales at both companies were “increase in the number of engineers assigned to clients,” and “increase in average rate” as shown in the graph.



# Number of Engineers (Group Consolidated)

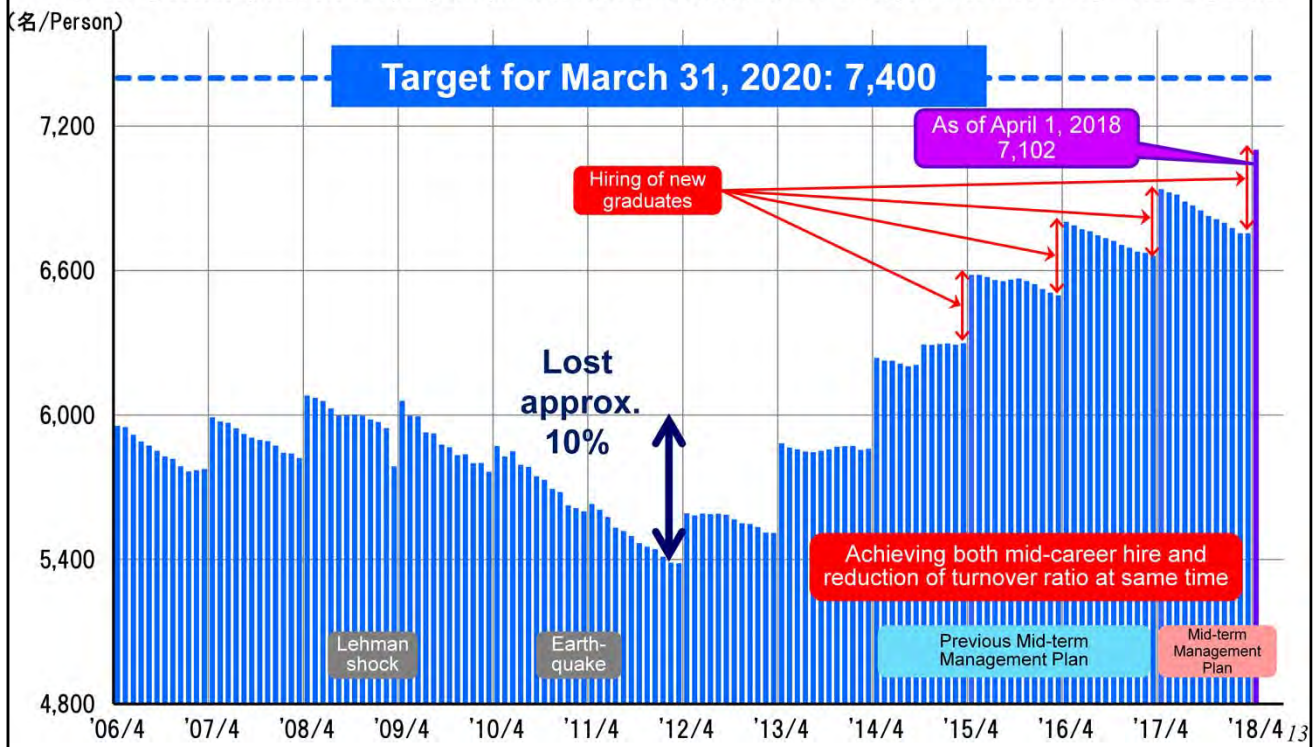
- ✓ The number of engineers as of March 31, 2018 was 9,065, an increase of 408 engineers, or 4.7%, compared to March 31, 2017.
- ✓ As of April 1, 2018, the number of engineers has reached 9,619 engineers, which is a record high.



- This shows the trend in the number of engineers across the Group.
- As of March 31, 2018, the number of engineers was 9,065, increased 408, or 4.7%, compared to March 31, 2017. On April 1, 2018, new graduates joined the Group and we started the new fiscal year with a record high 9,619 engineers.

# Number of Engineers (Meitec)

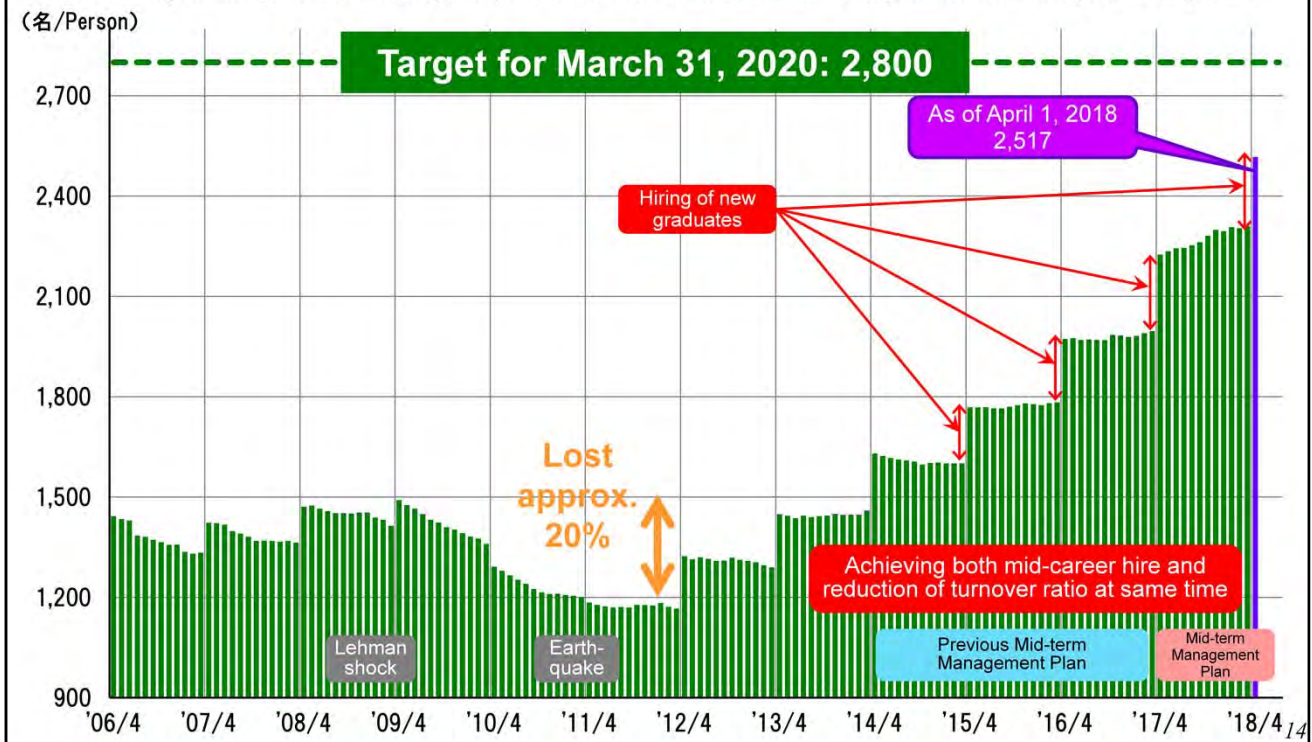
- ✓ The number of engineers as of March 31, 2018 was 6,755, an increase of 94 engineers, or 1.4%, compared to March 31, 2017.
- ✓ 357 new graduates joined the company on April 1, 2018, and we started the new fiscal year with a record high 7,102 engineers.



- This shows the trend in the number of engineers at Meitec.
- As of March 31, 2018, the number of engineers was 6,755, increased 94, or 1.4%, compared to March 31, 2017.  
On April 1, 2018, 357 new graduates joined the company and we started the new fiscal year with a record high 7,102 engineers.

# Number of Engineers (Meitec Fielders)

- ✓ The number of engineers as of March 31, 2018 was 2,310, an increase of 314 engineers, or 15.7%, compared to March 31, 2017.
- ✓ 203 new graduates joined the company on April 1, 2018, and we started the new fiscal year with a record high 2,517 engineers.



- This shows the trend in the number of engineers at Meitec Fielders.
- As of March 31, 2018, the number of engineers was 2,310, increased 314, or 15.7%, compared to March 31, 2017. On April 1 2018, 203 new graduates joined the company and we started the new fiscal year with a record high 2,517 engineers.



**Mid-career (FY 2018/3)**

- ✓ Meitec will continue to focus on hiring engineers in line with order trends, mainly in the machinery and electronic/electronics sectors, by maintaining hiring standards and the assumption of ensuring engineers can be assigned smoothly.
- ✓ There is no end in sight to the corporate demand for hiring engineers, and the recruitment market remains challenging.
- ✓ Meitec, which competes for hiring with mid-ranking and major manufacturers in particular, struggled to secure sufficient applicant numbers. The 138 hires was 12 less than the forecast.
- ✓ Meitec Fielders recruitment activity was aimed at “expanding growth in a wide range of businesses.” As a result, the 304 hires was 24 more than the forecast.

**New Graduates (Joined April 2018)**

- ✓ The hiring environment remains difficult due to a continuing increase in the number of hiring companies and the number of persons being hired. While bearing in mind the inclinations of the new graduates, we continued our efforts without lowering our hiring standards.
- ✓ Applicants are narrowing down the sectors they pursue earlier than before in internships, so it has been difficult to bring in additional applicants. Also, people’s preference to work locally has impacted the entire Meitec Group.
- ✓ The number of the new graduates hired was 357, 3 less the initial forecast, for Meitec. On the other hand, it was 203, 27 less the initial forecast, for Meitec Fielders.

(person)	Fiscal Year Ended March 31, 2018								Fiscal Year Ending March 31, 2019				
	New Graduates April 2017	Mid-career					Total	YoY	New Graduates April 2018				
		Initial Forecast	11/7/17 Revised Forecast		To Initial Forecast	To 11/7/17 Revised Forecast			Initial Forecast	11/7/17 Expected Number		To Initial Forecast	YoY
Meitec	308	150	150	138	(12)	(12)	446	(3)	360	369	357	(3)	+49
Meitec Fielders	213	215	280	304	+89	+24	517	+154	230	197	203	(27)	(10)
Total	521	365	430	442	+77	+12	963	+151	590	566	560	(30)	+39
Comparison to previous year	+1	+73	138	+150			+151			To 11/7/17 Revised Forecast	(6)		

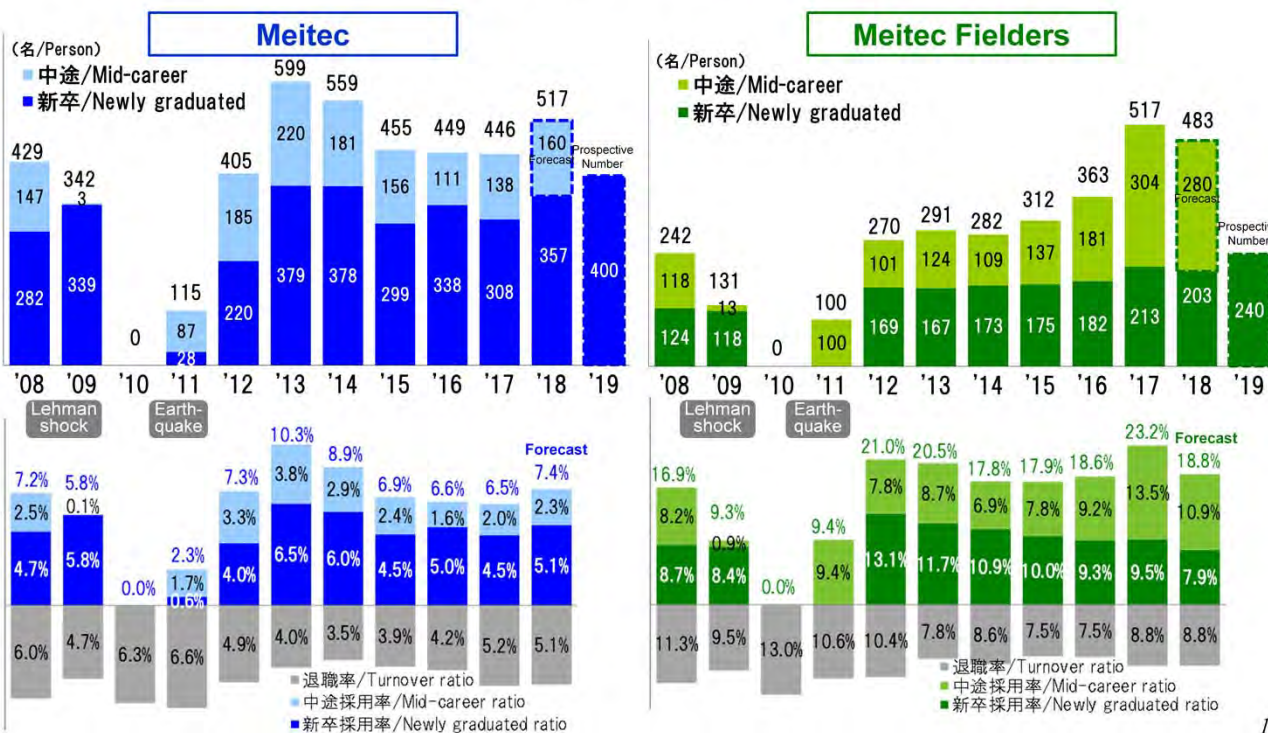
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- The hiring market remains challenging, as there is no end in sight to corporate demand for hiring engineers.
- First, mid-career hires.
- Meitec continued hiring activities while maintaining our hiring standards, but the number of mid-career hires was 138, 12 less than the initial forecast, partially due to competition with major manufacturers.  
Meanwhile, 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 304, 89 more than the initial forecast. The Group as a whole secured 442 mid-career hires, which was 150 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 activities maintaining our hiring standards, the Group recruited 560 newly graduated engineers, 39 more than the previous year, comprising 357 at Meitec, three fewer than the initial forecast, and 203 at Meitec Fielders, 27 fewer than the initial forecast.



# Recruitment and Turnover

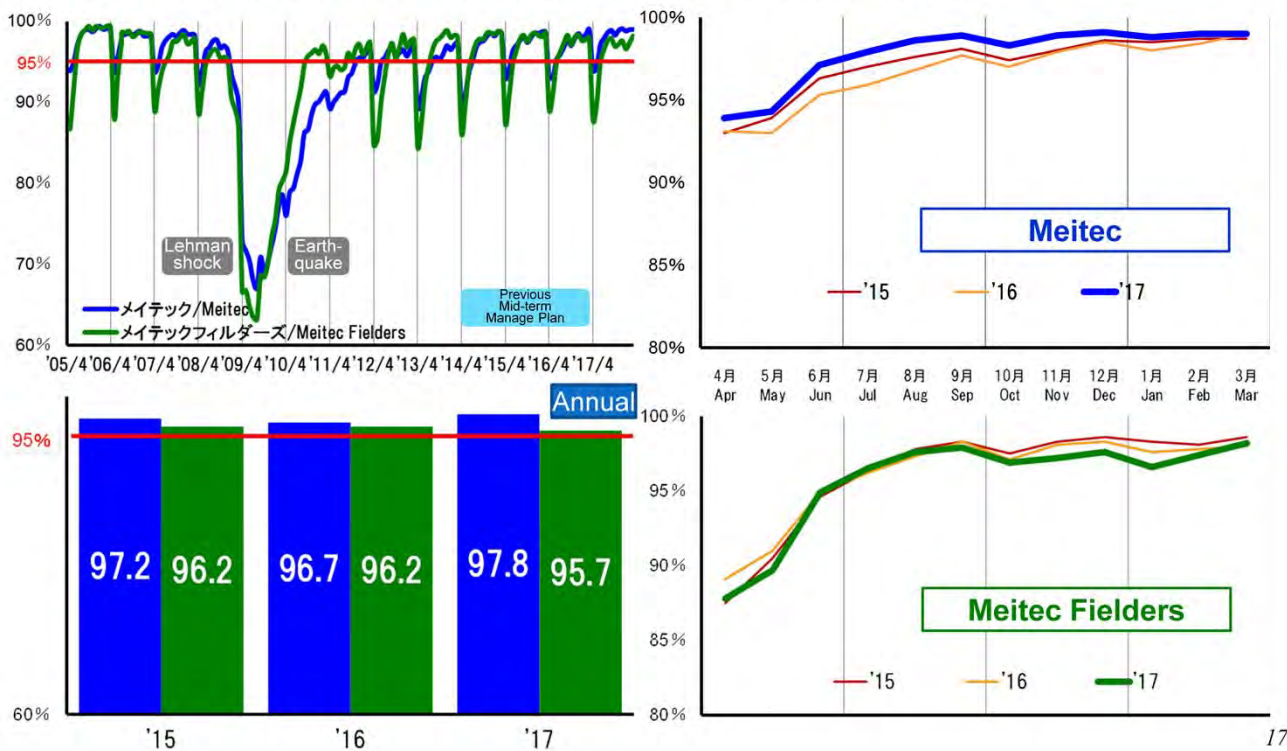
✓ The hiring environment is challenging, but we maintained hiring standards.



- This shows trends in the number of recruitment and ratios for recruitment and turnover.
- In the fiscal year ended March 31, 2018, Meitec maintained its hiring standards. Consequently, the recruitment ratio was 6.5%, and the growth rate declined slightly. The turnover ratio was 5.2%, a slight increase versus the previous year, but remained low.
- Meitec Fielders' recruitment ratio in the fiscal year ended March 31, 2018, was 23.2%, a significant increase. The turnover ratio was 8.8%, which contributed to increasing the number of engineers.
- We will explain our forecasts for the fiscal year ending March 31, 2019 later in this presentation.

# Utilization Ratio

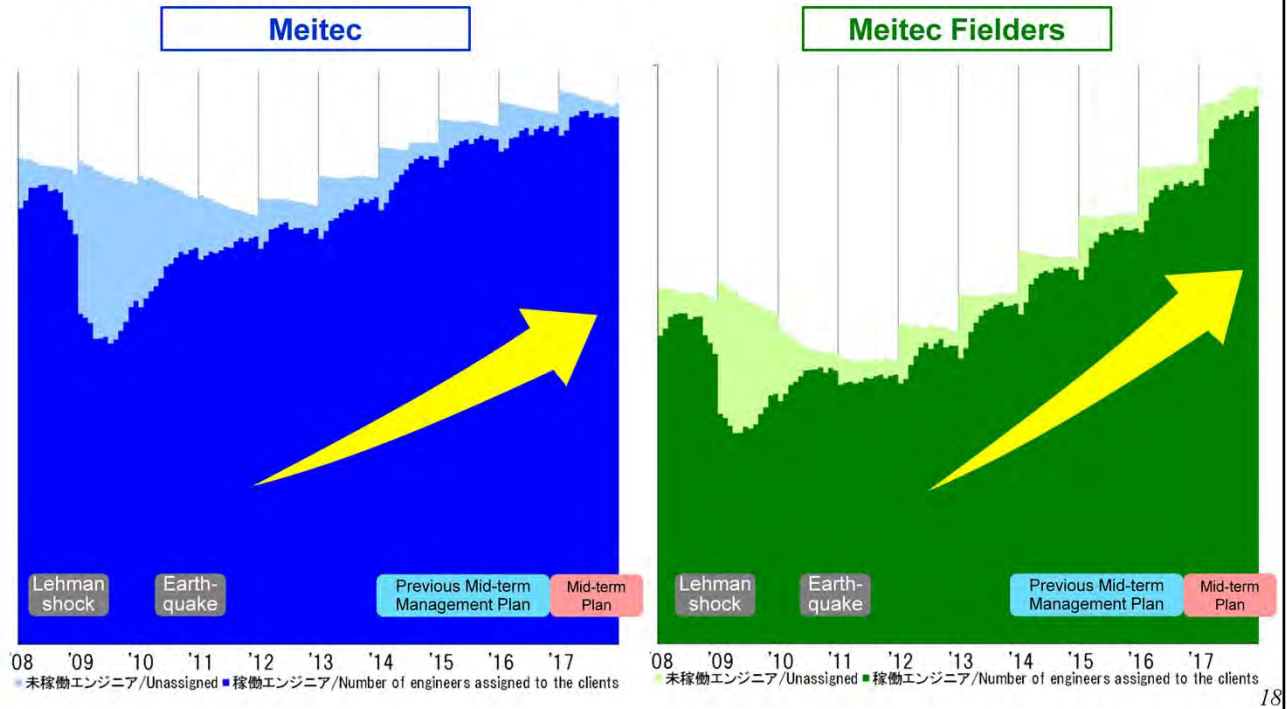
✓ Under a firm environment for order, the utilization ratio remained high.



- 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)

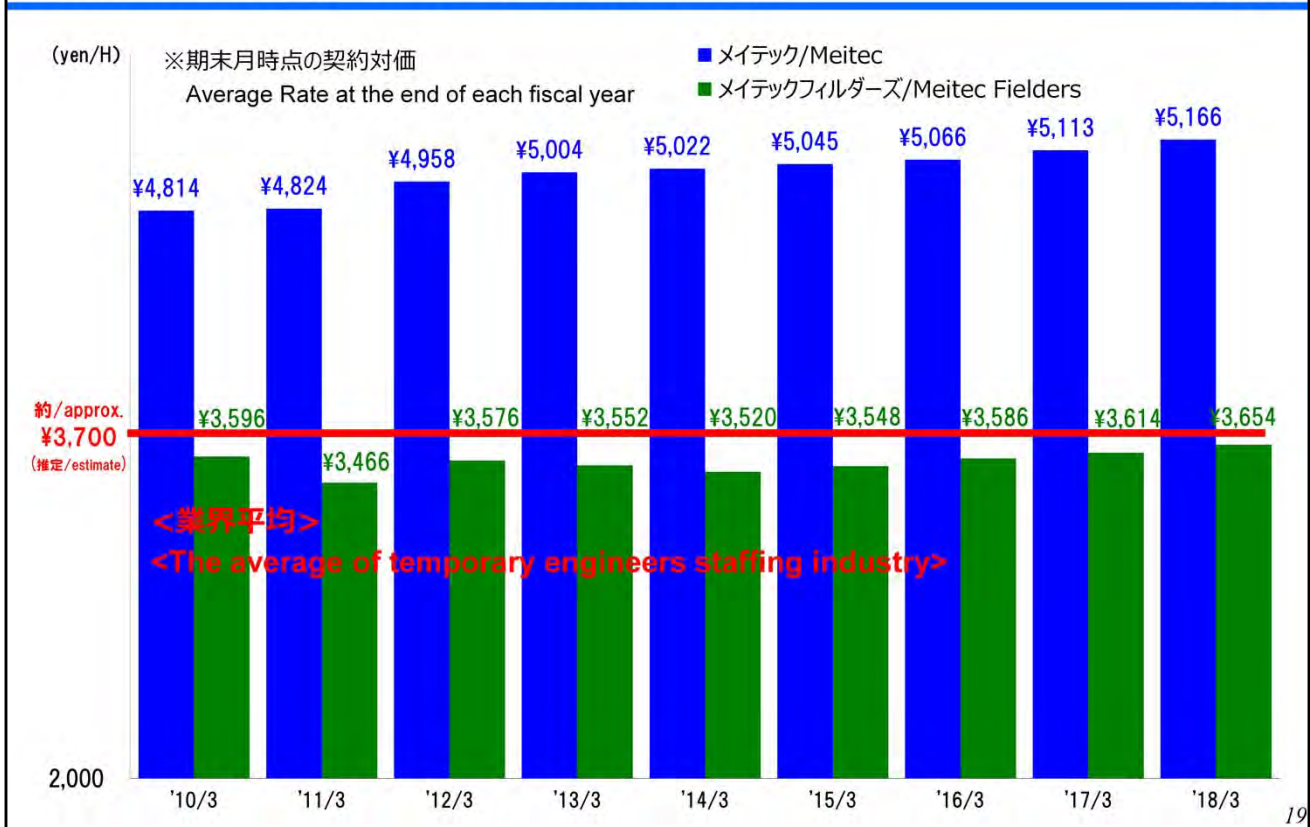
- ✓ The number of engineers assigned to clients has steadily risen due to the combination of an “increase in the number of engineer” by aggressive recruitment and the “maintenance of high utilization ratio” by obtaining orders and early assignment.



- This shows the trend in number of engineers assigned to clients.
- The number of engineers assigned to clients, which is the “number of engineers” multiplied by the “utilization ratio,” is growing steadily, as the number of engineers increased and the utilization ratio remained high.



## Trend in Average Rate = (Market Value)

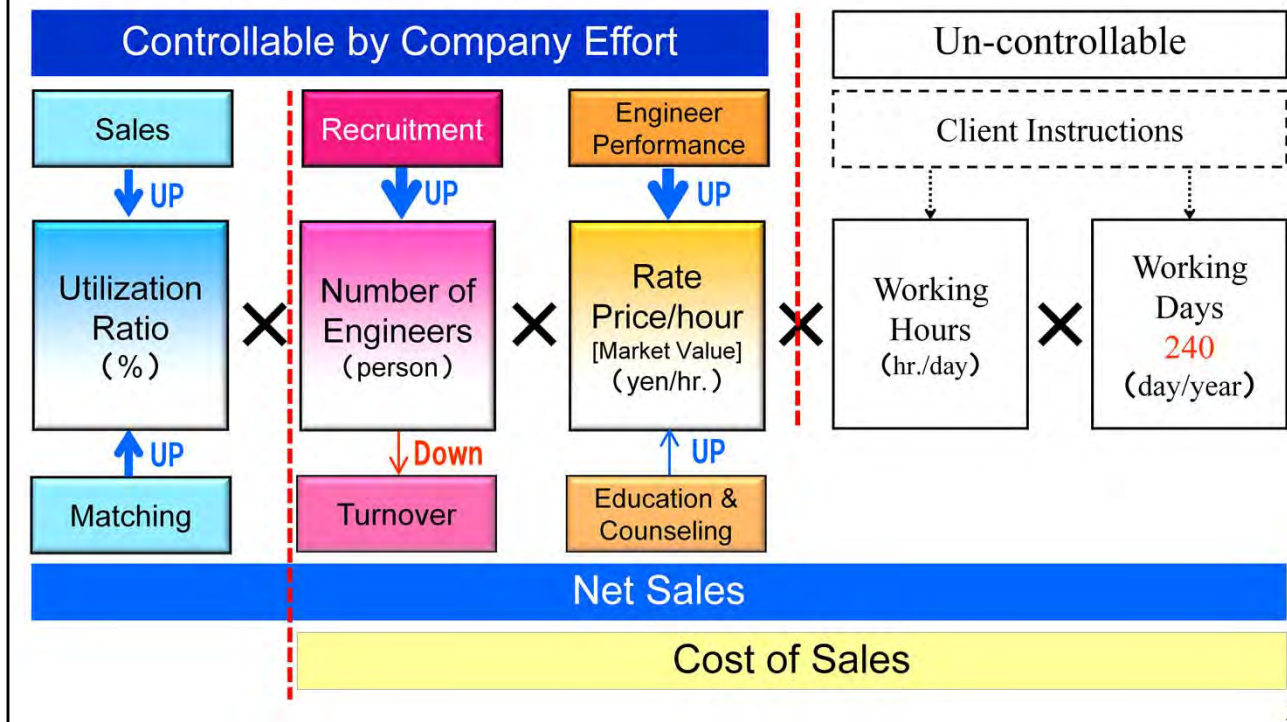


- This shows the trend in average pay rates for engineers.
- As a leading company in the sector, Meitec has maintained an average pay rate level of ¥5,100, which is significantly higher than the industry average, by maintaining high quality levels. We believe it is essential to maintain hiring standards 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, regardless of changes in supply and demand, we will create conditions in which every one of our engineers can secure fair pay rates based on high output.
- With respect to the estimated industry average pay rate, the compiled data of Ministry of Health, Labour and Welfare has been refreshed in conjunction with the amendment to the Worker Dispatching Act, so changes have been made to the previous estimate.



## 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.

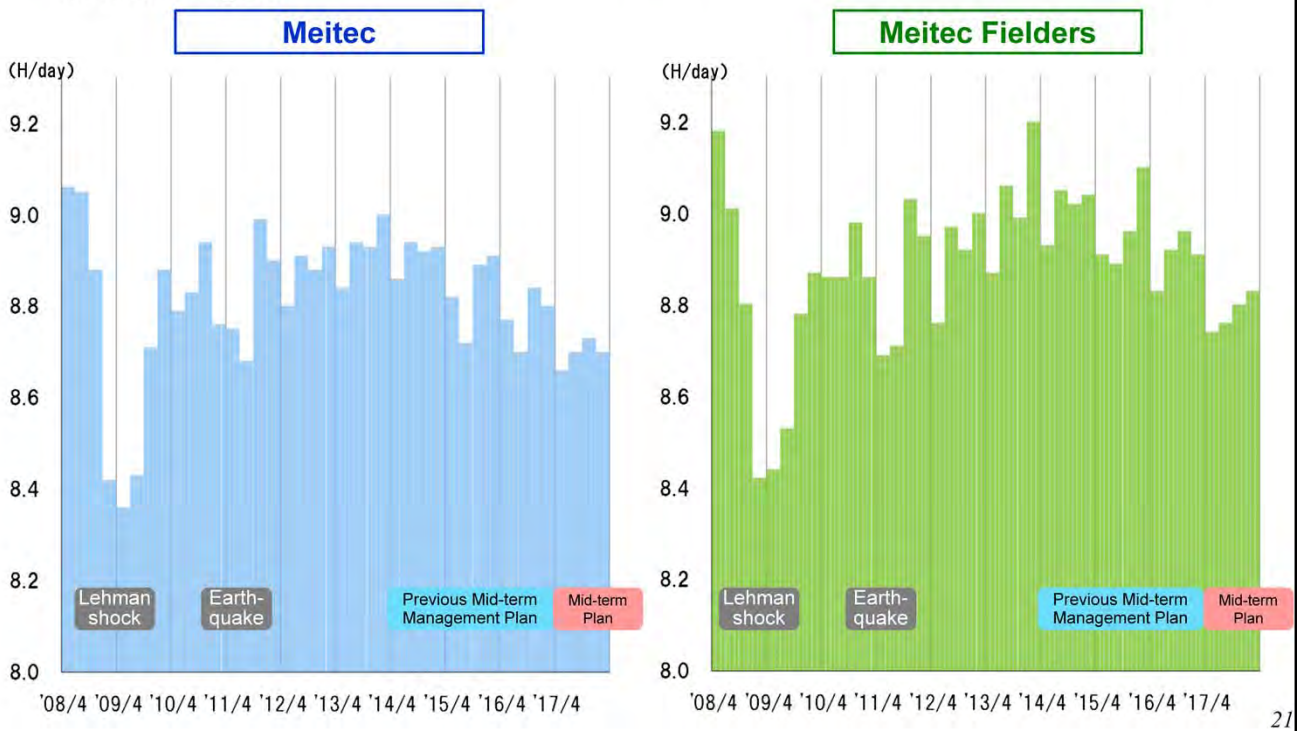


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- This is a summary of the main components of net sales and cost of sales in the temporary staffing business for engineers for the indefinite and regular employed engineers.
- In the results for the fiscal year ended March 31, 2018, the aspects which are controllable by company effort, "Utilization Ratio," "Number of Engineers," and "Rate and Price/hour" all were factors in increased net sales.

## Working Hours

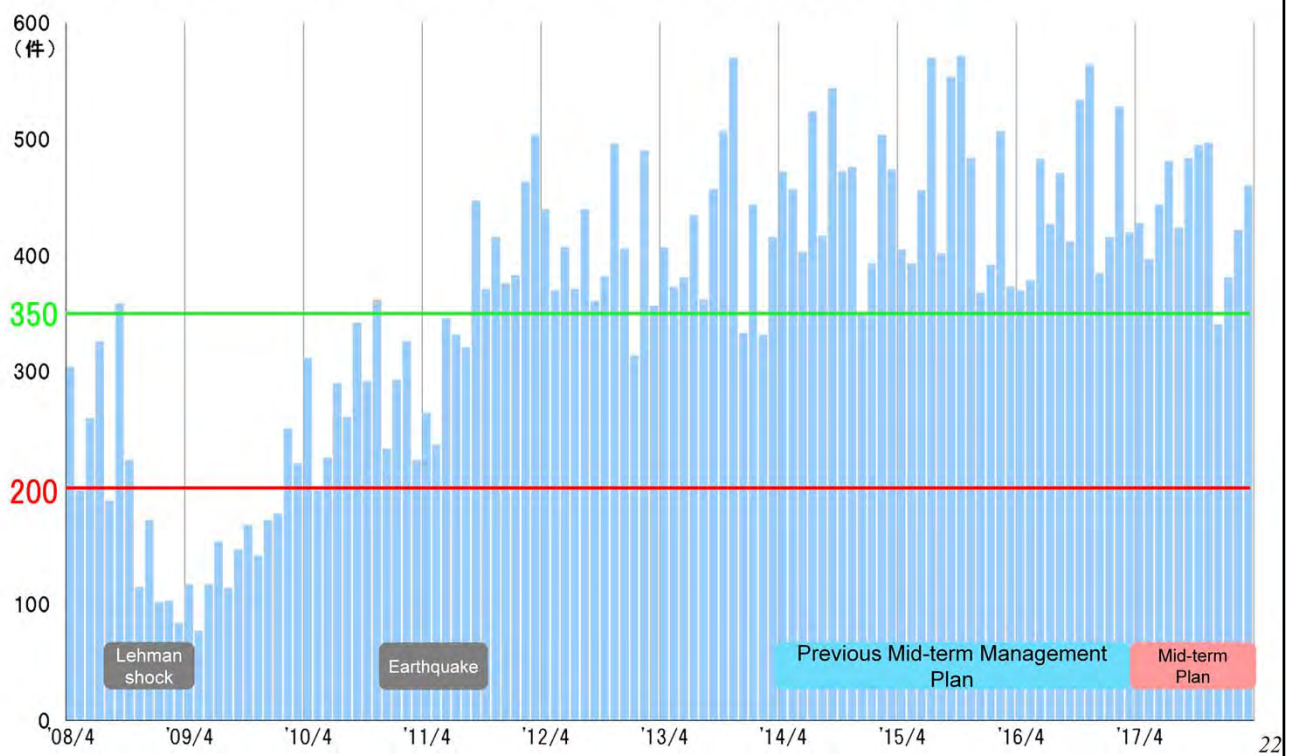
- ✓ Working hours declined year-on-year due to the reduction in overtime hours, but seem to be bottoming out.



- This shows the trend in working hours.
- Working hours declined slightly year on year due to reductions in overtime hours.  
Based on the latest trend in working hours, it seems to have bottomed out.
- 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.
- This trend of new orders is expected to continue going forward.



## 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)

FY2012			FY2016			FY2017		
1	Mitsubishi Heavy Industries		1	Mitsubishi Heavy Industries		1	Mitsubishi Heavy Industries	
2	Nikon		2	Denso		2	Denso	
3	Panasonic		3	Canon		3	Canon	
4	Denso		4	Panasonic		4	Panasonic	
5	Canon		5	Toyota Motor		5	Toyota Motor	
6	Toyota Motor		6	Nikon		6	Sony Semiconductor Solutions	
7	Sony		7	Sony Semiconductor Solutions		7	Nikon	
8	Kawasaki Heavy Industries		8	Kawasaki Heavy Industries		8	Autoliv	
9	Toshiba		9	Mitsubishi Aircraft		9	Honda R&D	
10	Omron		10	Omron		10	Omron	
Top 10 Total	16,153	28.9%	Top 10 Total	17,673	25.2%	Top 10 Total	17,654	24.4%
Top 20 Total	22,239	39.8%	Top 20 Total	24,788	35.4%	Top 20 Total	25,282	35.0%
Others	33,583	60.2%	Others	45,295	64.6%	Others	46,970	65.0%
Total	55,822	100.0%	Total	70,083	100.0%	Total	72,252	100.0%

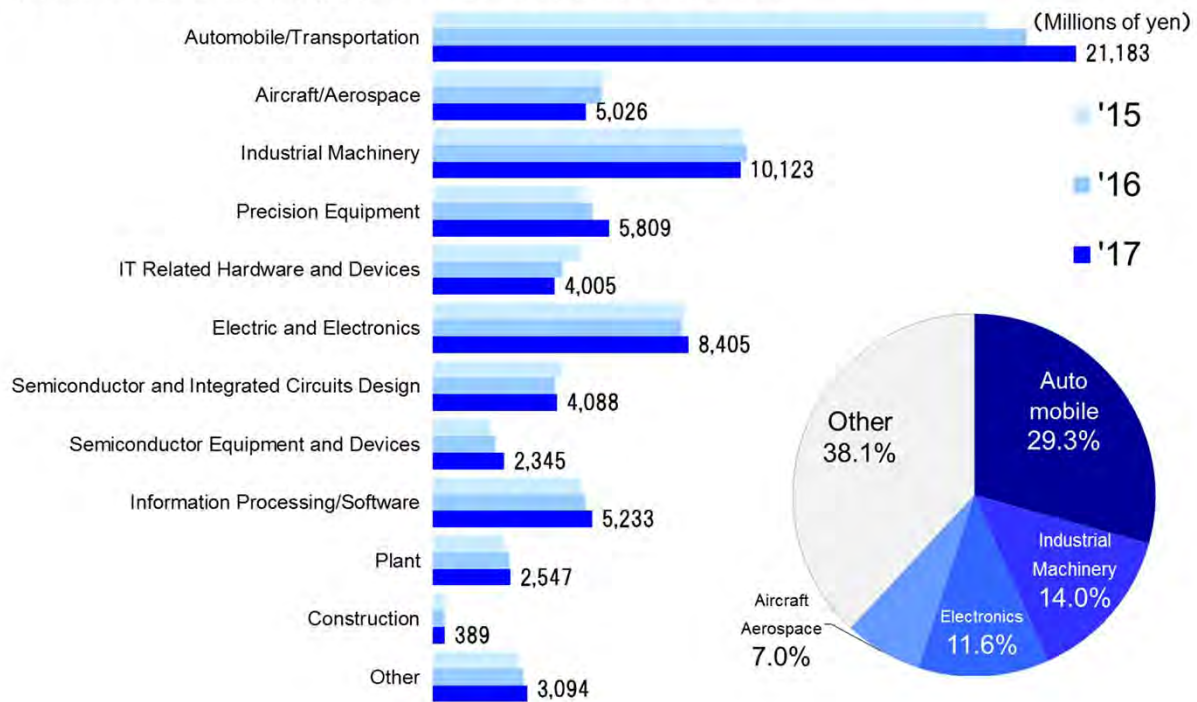
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- This shows Meitec's top 10 clients by sales.
- There have been some changes in the order, but there have been no major changes in the clients making up the top 10.
- While continuing to intentionally rotate engineers to growth sectors, fields, and 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 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

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**MEITEC**  
Engineering Firm at The Core

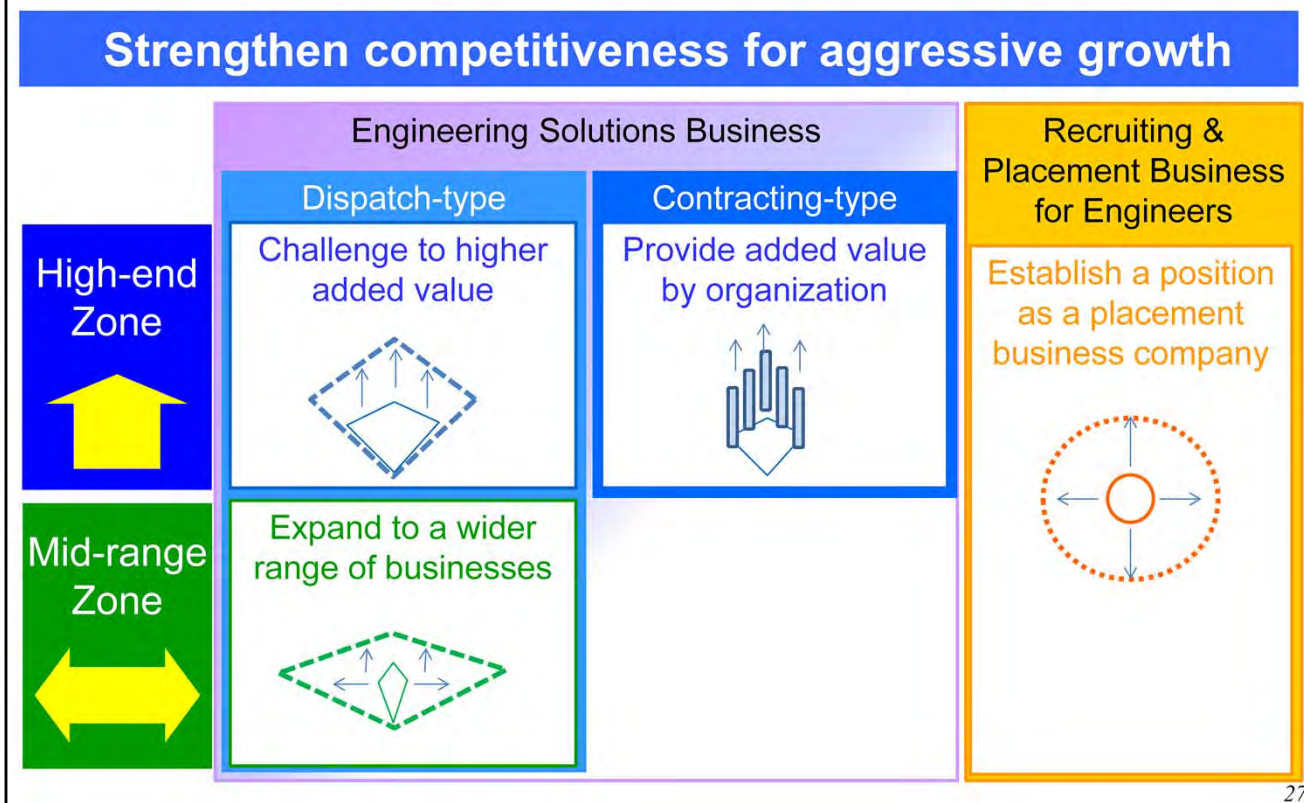
### *Next Stage 1*

- I will now discuss the progress made during the first year of the Mid-term Management Plan.
- Last year, 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
		Initial Forecast	Actual	Forecast	Target
Group Consolidated	Net Sales	93.0	93.6	97.0	100.0
	Operating Profit	10.9	11.5	11.6	13.0
	Margin	11.7%	12.2%	12.0%	13.0%
	Profit	7.4	8.1	7.8	9.0
	ROE	18.2%	20.9%	19.2%	20.0%
Meitec	Net Sales	72.0	72.3	73.4	78.0
	Operating Profit	9.0	9.3	9.3	10.0
	Margin	12.5%	12.9%	12.7%	13.0%
Meitec Fielders	Net Sales	16.7	17.0	18.8	20.0
	Operating Profit	1.4	1.5	1.6	1.7
	Margin	8.4%	8.6%	8.5%	9.0%

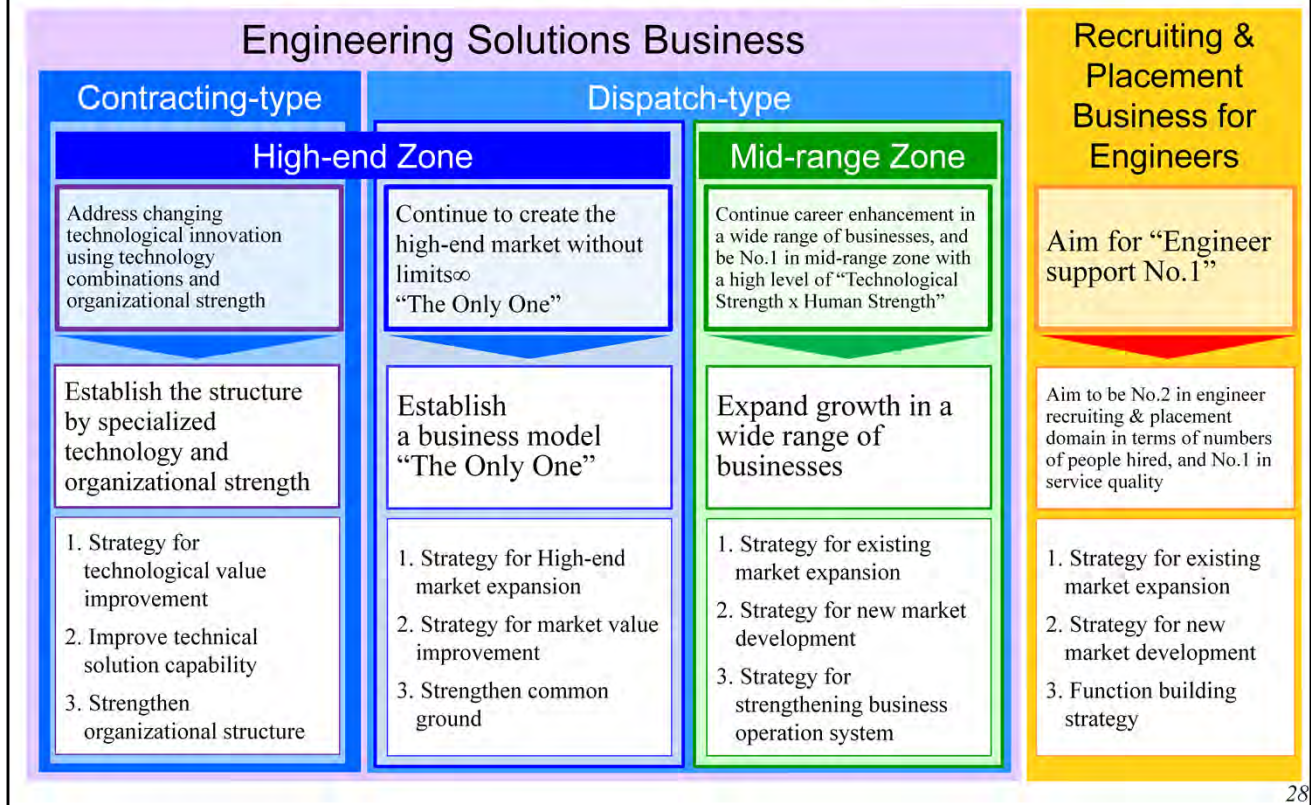
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- Progress in the first year was generally in line with our initial forecasts.
- In the second year, the fiscal year ending March 31, 2019, profit will decline on a year-on-year basis, and I will discuss the details of this a little later.
- We have set a goal of “Strengthen competitiveness for aggressive growth,” the basic policy of the Mid-Term Management Plan. On a Group consolidated basis, we will aim to achieve net sales of ¥100.0 billion, operating profit of ¥13.0 billion, margin of 13.0%, profit of ¥9.0 billion, and ROE of at least 20.0%, our highest target levels ever.



- This slide shows the basic policy of the Mid-Term Management Plan.
- Looking to “Strengthen competitiveness for aggressive growth,” we will promote two businesses: the Engineering Solutions Business and the Recruiting & Placement Business for Engineers.
- In the High-end Zone, we provide the two services of dispatch-type services and contracting-type services, while in the Mid-range Zone we are working to expand into a wider range of businesses.





- This slide shows strategies by each business.

**Engineering Solutions Business**

Dispatch-type	High-end Zone	<ol style="list-style-type: none"> <li>1.Strategy for High-end market expansion</li> <li>2.Strategy for market value improvement</li> <li>3.Strengthen common ground</li> </ol>	<ul style="list-style-type: none"> <li>✓ Strengthen the creation of high-added value markets through targeting</li> <li>✓ Expand technical training that matches clients' needs</li> <li>✓ Improve each process of mid-career hiring</li> </ul>
Contracting-type	High-end Zone	<ol style="list-style-type: none"> <li>1.Strategy for technological value improvement</li> <li>2.Improve technical solution capability</li> <li>3.Strengthen organizational structure</li> </ol>	<ul style="list-style-type: none"> <li>✓ Construct way to highlight key technical domains of competitive superiority</li> <li>✓ Bolster persuasiveness of proposals to customers through cooperation between engineers and sales people</li> </ul>

- 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	<ol style="list-style-type: none"> <li>1.Strategy for existing market expansion</li> <li>2.Strategy for new market development</li> <li>3.Strategy for strengthening business operation system</li> </ol>	<ul style="list-style-type: none"> <li>✓ Expand the number of hires and number of placements in key domains</li> <li>✓ Develop technical training for focus market and bolster sales power</li> <li>✓ Promote strengthening of business base through establishment of bases and increase of sales staff, etc.</li> </ul>
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Recruiting & Placement Business for Engineers

	<ol style="list-style-type: none"> <li>1.Strategy for existing market expansion</li> <li>2.Strategy for new market development</li> <li>3.Function building strategy</li> </ol>	<ul style="list-style-type: none"> <li>✓ Improve response capabilities for job offers and job seekers</li> <li>✓ Increase total number of engineers assigned to the clients due to the increased number of career consultants</li> <li>✓ Promote exploration of the target market deeper by assigning full-time sales and career specialists</li> </ul>
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- 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 cultivating clients' needs and further improving on our current responses to such needs.
- In the Recruiting & Placement Business for Engineers, we will explore the existing market further 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, 2019

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, 2019.



## Forecast for the Fiscal Year Ending March 31, 2019 (Group Consolidated)

- ✓ Net sales is expected to rise 3.6% year on year to 97.0 billion yen, operating profit is expected to be up 1.2% YoY to 11.6 billion yen, and profit attributable to owners of parent is expected to fall 4.1% YoY to 7.8 billion yen.
- ✓ SG&A expenses increased 13.1% year on year, due to the increase in the number of target engineer hires, the addition of salespeople and other staff, and other factors.

	Forecast FY ending March 31, 2019	YoY Amount	% Change	Forecast 1st half ending Sept.30, 2018		Forecast 2nd Half
				YoY Amount	% Change	
Net sales	97,000	+3,381	+3.6%	47,600	+1,732	49,400
Cost of sales	70,800	+1,549	+2.2%	35,000	+950	35,800
SG&A Expenses	14,600	+1,689	+13.1%	7,100	+724	7,500
Operating profit	11,600	+141	+1.2%	5,500	+57	6,100
Operating profit margins	12.0%	(0.2%)		11.6%	(0.3%)	12.0%
Ordinary profit	11,600	+134	+1.2%	5,500	+52	6,100
Profit attributable to owners of parent	7,800	(332)	(4.1%)	3,600	+73	4,200
Earnings per Share	276.74	(9.90)		127.72	+8.89	

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- This shows our consolidated forecasts for the Group.
- We forecast net sales of ¥97.0 billion, up 3.6% year on year, and operating profit of ¥11.6 billion, up 1.2% year on year.
- We expect profit attributable to owners of parent to decline 4.1% year on year to ¥7.8 billion, as we anticipate an impact from the tax burden.
- We are expecting a 13.1% 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, 2019 (Meitec)

- ✓ Net sales is expected to rise 1.6% year on year, operating profit is expected to decline 0.5% YoY, and profit attributable to owners of parent is expected to fall 6.2% YoY.
- ✓ SG&A expenses increased 10.5% year on year, due to the increase in the number of target engineer hires, the addition of salespeople and other staff, and other factors.

(Fractions of one million yen are rounded down)	Forecast FY ending March 31, 2019	YoY Amount	% Change	Forecast 1st half ending Sept.30, 2018	YoY Amount	% Change	Forecast 2nd Half
Net sales	73,400	+1,147	+1.6%	36,200	+655	+1.8%	37,200
Cost of sales	54,100	+238	+0.4%	26,900	+298	+1.1%	27,200
Cost of sales to Net sales	73.7%	(0.8%)		74.3%	(0.5%)		73.1%
SG&A Expenses	10,000	+951	+10.5%	4,900	+387	+8.6%	5,100
Operating profit	9,300	(42)	(0.5%)	4,400	(30)	(0.7%)	4,900
Operating profit margins	12.7%	(0.2%)		12.2%	(0.3%)		13.2%
Ordinary profit	10,000	(105)	(1.0%)	5,100	(79)	(1.5%)	4,900
Profit	7,000	(461)	(6.2%)	3,600	(8)	(0.2%)	3,400
Utilization ratio (Company-wide)	96.5%	(1.3%)		95.5%	(1.3%)		97.5%
Working Hours<h/day>	8.70	—		8.68	—		8.71
Number of Recruitment	517	+71					
Newly graduated	357	+49					
Mid-career	160	+22					
Turnover Ratio	5.1%	—					
				Target of the New Graduates to be hired for April 2019	To Apr. 2018		
				400	+43		

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- This shows our forecasts for Meitec.
- We forecast net sales of ¥73.4 billion, up 1.6% year on year, and operating profit of ¥9.3 billion, down 0.5% year on year.
- The main reason behind our forecast for lower operating profit is an increase in SG&A expenses.
- The reasons for the increase in SG&A expenses are the increase in the target engineer hires, and the expected increase in hiring expenses and system costs in conjunction with enhancing our sales positions and other measures.
- 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.
- The utilization ratio is expected to decline 1.3% year on year due to the expected increase in the number of recruitment. In light of this, we forecast profit of ¥7.0 billion, down 6.2% year on year.



## Forecast for the Fiscal Year Ending March 31, 2019 (Meitec Fielders)

- ✓ Net sales is expected to rise 10.7% year on year, operating profit is expected to be up 9.8% YoY, and profit attributable to owners of parent is expected to fall 3.1% YoY.
- ✓ SG&A expenses increased 14.8% year on year, due to the increase in the number of target engineer hires, the addition of salespeople and other staff, and other factors.

(Fractions of one million yen are rounded down)	Forecast FY ending March 31, 2019	YoY Amount	% Change	Forecast 1st half ending Sept.30, 2018	YoY Amount	% Change	Forecast 2nd Half
Net sales	18,800	+1,818	+10.7%	9,100	+936	+11.5%	9,700
Cost of sales	14,500	+1,326	+10.1%	7,100	+742	+11.7%	7,400
Cost of sales to Net sales	77.1%	(0.5%)		78.0%	+0.1%		76.3%
SG&A Expenses	2,700	+348	+14.8%	1,300	+170	+15.1%	1,400
Operating profit	1,600	+142	+9.8%	700	+22	+3.4%	900
Operating profit margins	8.5%	(0.1%)		7.7%	(0.6%)		9.3%
Ordinary profit	1,600	+147	+10.1%	700	+25	+3.8%	900
Profit	1,000	(31)	(3.1%)	450	(12)	(2.7%)	550
Utilization ratio (Company-wide)	94.7%	(1.0%)		92.4%	(1.7%)		96.9%
Working Hours<h/day>	8.78	—		8.75	—		8.81
Number of Recruitment	483	(34)					
Newly graduated	203	(10)					
Mid-career	280	(24)					
Turnover Ratio	8.8%	—					
				Target of the New Graduates to be hired for April 2019	To Apr. 2018		
				240	+37		

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- This shows our forecasts for Meitec Fielders.
- We forecast net sales of ¥18.8 billion, up 10.7% year on year, and
- Operating profit of ¥1.6 billion, up 9.8% year on year.
- As with Meitec, the cost of sales to net sales is forecast to decline 0.5% year on year.
- We are expecting SG&A expenses to increase 14.8% year on year.
- As a result, we forecast profit of ¥1.0 billion, down 3.1% year on year.

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

## 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 market for career change continues to be intensifying.
- ✓ 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 2019)

- Since 2012, there has been a continual increase in the number of hiring companies and the number of planned hires, which has kept the environment highly competitive
- ✓ Focus to promote understanding the career path to the lifetime engineer (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, 2019					Fiscal Year Ending March 31, 2020	
	New Graduates April 2018	Mid-career		Total		New Graduates April 2019	
	(Actual)	<Target>	Comparison to Previous Year	<Target>	Comparison to Previous Year	<Target>	Comparison to Previous Year
Meitec	357	160	+22	517	+71	400	+43
Meitec Fielders	203	280	(24)	483	(34)	240	+37
Total	560	440	(2)	1,000	+37	640	+80

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- This shows our hiring target.
- We expect the hiring environment to remain extremely challenging due to the increasingly strong corporate demand for hiring resulting from the shortage of engineers and no slowdown in hiring needs.
- For new graduate recruitment, we have set a hiring target exceeding the number of hires last year. Meitec ranks 43<sup>rd</sup> among Japanese companies, and second 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 22 hires year on year by Meitec and a decline of 24 hires by Meitec Fielders.  
Meitec Fielders' hiring target has fallen year on year, but despite the difficult hiring environment, our hiring standards have remained unchanged, and we plan to continue our hiring activities on the assumption of smooth assignments.
- We aim to achieve our high targets by bolstering our ability to attract applicants through various policies and by continuing hiring activities that value applicants' preferences.



# Basic Policy Regarding Profit Distribution

Revised May 2017  
 Revised May 2011  
**Profit  
 distribution  
 policy**

1. Enhance “quality and quantity” of the shareholders’ equity
2. Balance of funds exceeds the funds necessary for business operations\* (\*3 months consolidated net sales)

**Total Return  
 Ratio**

**Basically within 100%**

**Dividend**

**Dividend related to  
 performances**

**Equal or more than 50% of consolidated  
 profit**

**Minimum  
 Dividend**

**Consolidated Dividend on Equity ratio (DOE) 5%**

**Treasury  
 shares  
 acquisition,  
 possession and  
 retirement**

**Purchase of  
 treasury Shares**

**Carry out as appropriate, taking the total return ratio and  
 dividend payout ratio levels into consideration**

**Retain  
 Maximum of 2 million shares**

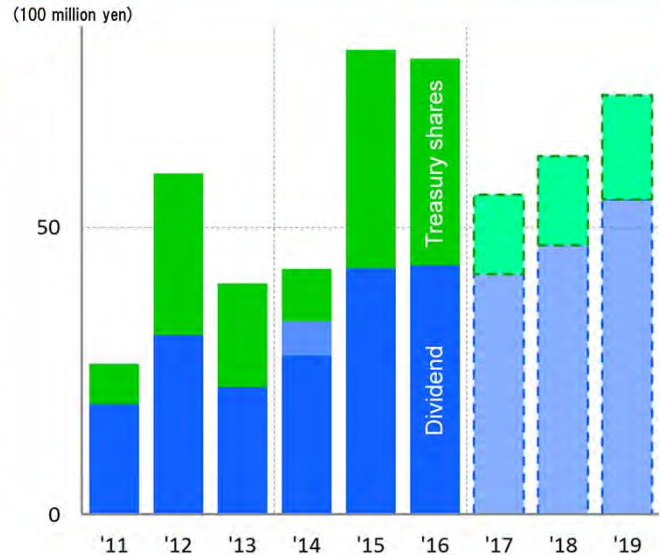
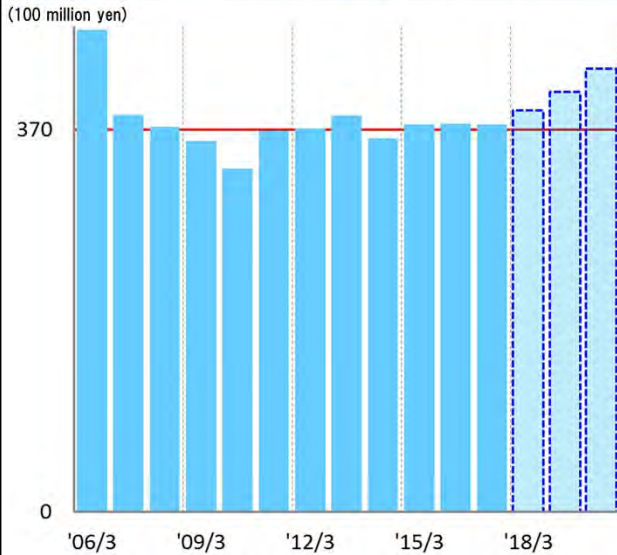
**Retired  
 Excess above maximum to be retired**

✓ 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.

- We slightly revised our Basic Policy Regarding Profit Distribution in May 2017, but since then no changes have been made.

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)

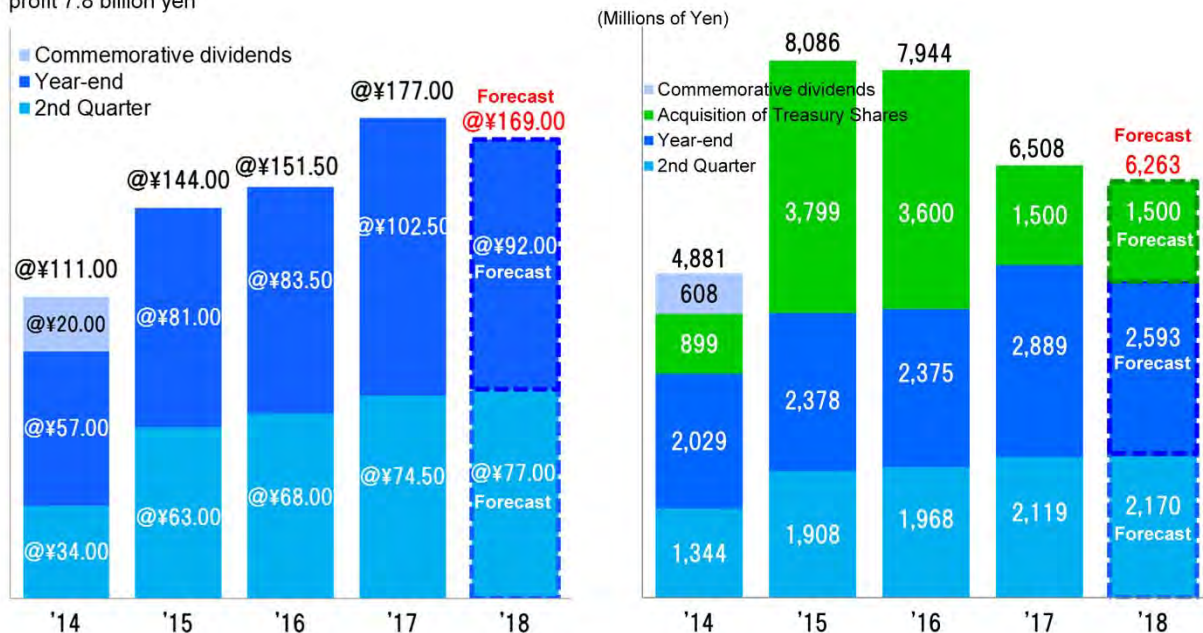
2. Total return ratio for 3 years is roughly 80%  
(1) Dividend payout ratio: 60%  
(2) Purchase of treasury shares: 20%  
(The breakdown reflects the dialogue with shareholders and investors)



- 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 FY2017 is 102.50 yen, which together with the interim dividend of 74.50 yen comes to an annual dividend of 177 yen
- ✓ For FY2018, the total return ratio will be approximately 80% in line with the profit distribution plan of the Mid-term Management Plan  
Total return ratio 80% = (ordinary dividends 4.8 billion yen + purchase of treasury shares amount 1.5 billion yen) ÷ forecast profit 7.8 billion yen



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- 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 ¥82.00 per share to ¥102.50 per share for the year-end dividend of the fiscal year ended March 31, 2018. We will seek approval for this higher dividend at the general meeting of shareholders. Together with the interim dividend of ¥74.50, this will result in an annual dividend of ¥177.00 per share.
- In line with the plan of profit distribution for three years, our forecast for the fiscal year ending March 31, 2019, is a total return ratio of 80%. Based on our forecast for profit attributable to owners of parent of ¥7.8 billion, we will therefore allocate roughly ¥4.8 billion to the annual ordinary dividend, equating to ¥169.00 per share, and ¥1.5 billion to the purchase of treasury shares.
- That ends my presentation today. We will continue to work to meet your expectations going forward. Thank you for listening.



## 4. Reference Materials

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

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

In fiscal 2017, the Meitec Group launched its new Mid-term Management Plan "Next Stage 1" toward further growth. The 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.

Hideyo Kokubun  
President and CEO, COO,  
MEITEC Group CEO

國分 秀世





# Results for the Fiscal Year Ended March 31, 2018

(Millions of yen)	Engineering Solutions Business				Recruiting & Placement Business for Engineers
	Meitec	Meitec Fielders	Meitec Cast	Meitec EX	Meitec Next
Net sales	72,252	16,981	2,920	108	1,662
YoY Amount	+2,169	+2,116	+181	+12	+178
% Change	+3.1%	+14.2%	+6.6%	+13.5%	+12.0%
Operating profit	9,342	1,456	124	(28)	545
YoY Amount	+129	+110	+10	+0	+28
% Change	+1.4%	+8.2%	+9.6%	—	+5.4%
Ordinary profit	10,105	1,452	124	(28)	545
Profit	7,461	1,031	80	(28)	350

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# Forecast for the Fiscal Year Ending March 31, 2019

(Millions of yen)	Engineering Solutions Business				Recruiting & Placement Business for Engineers
	Meitec	Meitec Fielders	Meitec Cast	Meitec EX	Meitec Next
Net sales	73,400	18,800	2,800	140	1,970
YoY Amount	+1,147	+1,818	(120)	+31	+307
% Change	+1.6%	+10.7%	(4.1%)	+29.1%	+18.5%
Operating profit	9,300	1,600	110	0	580
YoY Amount	(42)	+142	(14)	+28	+34
% Change	(0.5%)	+9.8%	(11.3%)	—	+6.4%
Ordinary profit	10,000	1,600	110	0	580
Profit	7,000	1,000	70	0	370

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# Sales by the Industrial Segments (Meitec)

Millions of Yen

Meitec	FY2013	FY2014	FY2015	FY2016	FY2017			
	Net Sales				Net Sales	Total Net Sales(%)	Change	Change (%)
Automobile/Transportation	13,831	16,446	18,266	19,555	21,183	29.3%	+1,628	+8.3%
Aircraft/Aerospace	4,825	5,265	5,629	5,565	5,026	7.0%	(538)	(9.7%)
Industrial Machinery	8,477	9,631	10,215	10,331	10,123	14.0%	(208)	(2.0%)
Precision Equipment	4,599	4,762	4,982	5,245	5,809	8.0%	+563	+10.7%
IT Related Hardware and Devices	5,248	5,204	4,872	4,254	4,005	5.5%	(248)	(5.9%)
Electric and Electronics	7,990	8,032	8,270	8,193	8,405	11.6%	+211	+ 2.6%
Semiconductors and Integrated Circuits Design	3,622	4,104	4,280	4,024	4,088	5.7%	+63	+ 1.6%
Semiconductor Equipment and Devices	1,837	1,792	1,919	2,043	2,345	3.2%	+301	+ 14.7%
Information Processing/Software	3,887	4,365	4,886	5,008	5,233	7.2%	+225	+4.5%
Plant	1,611	1,903	2,346	2,518	2,547	3.5%	+29	+1.2%
Construction	371	368	374	373	389	0.5%	+15	+ 4.1%
Others	2,572	2,798	2,835	2,967	3,094	4.3%	+126	+4.3%
Total	58,876	64,675	68,878	70,083	72,252	100.0%	+2,169	+3.1%

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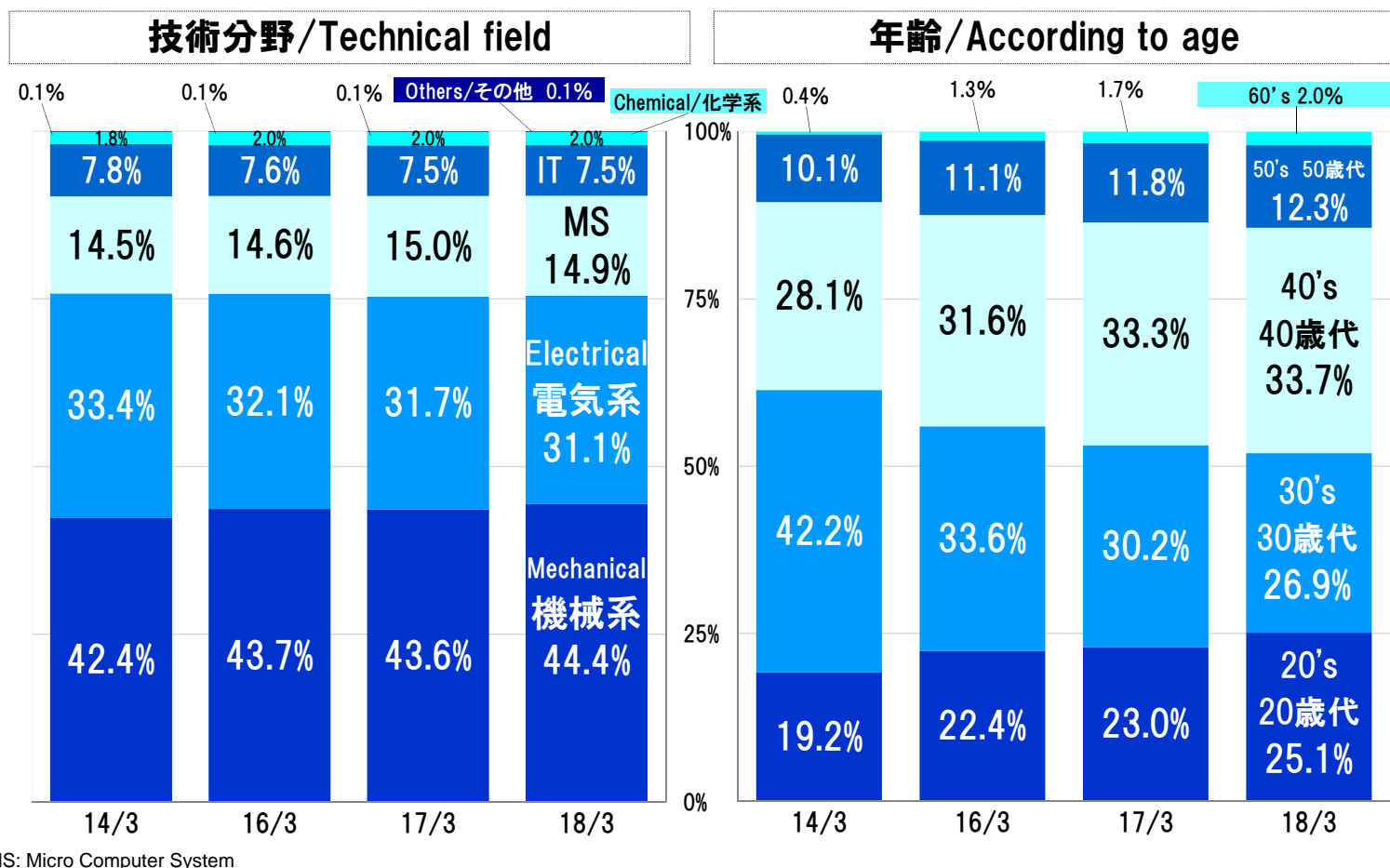
# Sales by the Industrial Segments (Meitec Fielders)

Millions of Yen

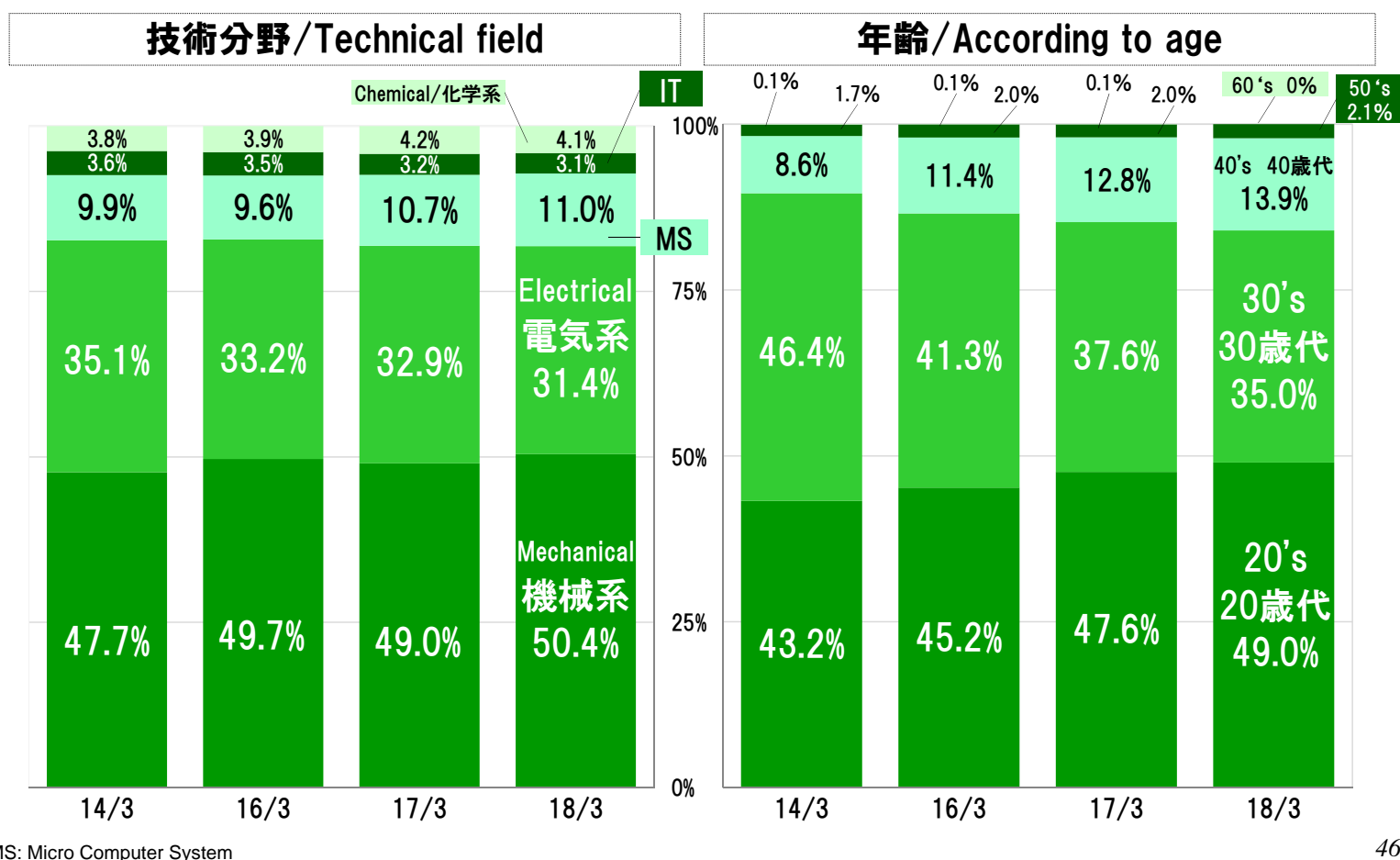
Meitec Fielders	FY2013	FY2014	FY2015	FY2016	FY2017			
	Net Sales				Net Sales	Total Net Sales(%)	Change	Change (%)
Automobile/Transportation	3,349	4,241	4,981	5,455	5,843	34.4%	+388	+ 7.1%
Aircraft/Aerospace	200	207	251	366	388	2.3%	+21	+ 6.0%
Industrial Machinery	1,509	1,770	1,929	2,157	2,621	15.4%	+464	+ 21.5%
Precision Equipment	1,609	1,625	1,666	1,760	2,149	12.7%	+388	+ 22.1%
IT Related Hardware and Devices	378	397	452	565	651	3.8%	+86	+ 15.3%
Electric and Electronics	1,508	1,568	1,656	1,827	1,984	11.7%	+156	+ 8.6%
Semiconductors and Integrated Circuits Design	437	457	505	511	610	3.6%	+99	+ 19.4%
Semiconductor Equipment and Devices	455	403	536	672	950	5.6%	+278	+ 41.4%
Information Processing/Software	261	342	341	336	466	2.7%	+130	+ 38.6%
Plant	287	389	473	561	588	3.5%	+26	+ 4.8%
Construction	98	26	16	22	83	0.5%	+60	+ 265.1%
Others	491	481	516	628	642	3.8%	+13	+ 2.2%
Total	10,587	11,911	13,327	14,865	16,981	100.0%	+2,116	+14.2%

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



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



# 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)

(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)

(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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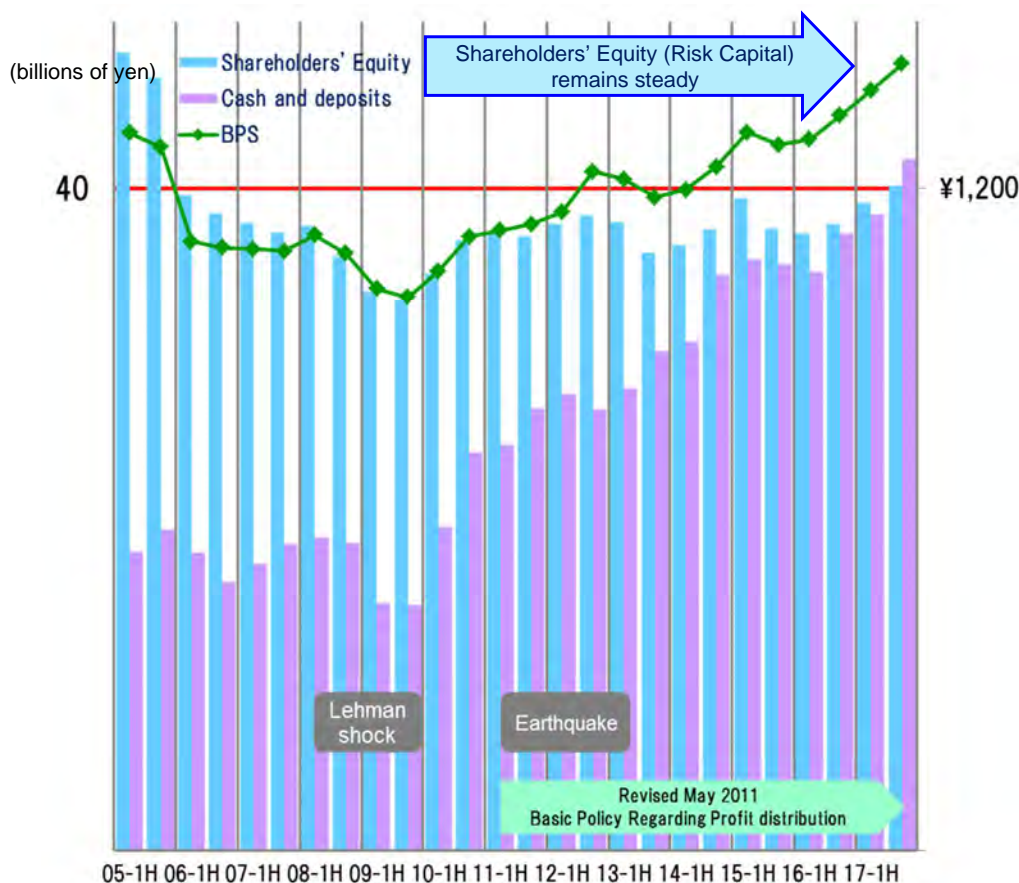
# Trend of Balance Sheets (Group Consolidated)

(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
Total current assets	35,564	35,356	33,295	28,444	37,661	40,643	41,802	44,998	51,639	53,104	54,742	59,325
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
Total non-current assets	21,914	22,428	20,934	19,180	18,053	16,915	16,199	16,447	13,458	11,363	11,634	11,608
Total assets	57,479	57,784	54,230	47,625	55,714	57,559	58,002	61,445	65,098	64,468	66,377	70,934
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
Total liabilities	18,795	20,186	18,061	14,181	18,619	20,349	19,579	25,257	27,532	26,862	28,523	30,794
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)
Total net assets	38,683	37,598	36,169	33,443	37,094	37,209	38,422	36,188	37,565	37,605	37,854	40,139

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)
Net increase (decrease) in cash and cash equivalents	(3,303)	+2,634	+1,313	(3,394)	+9,467	+2,691	(93)	+3,511	+4,668	+643	+1,845	+4,493

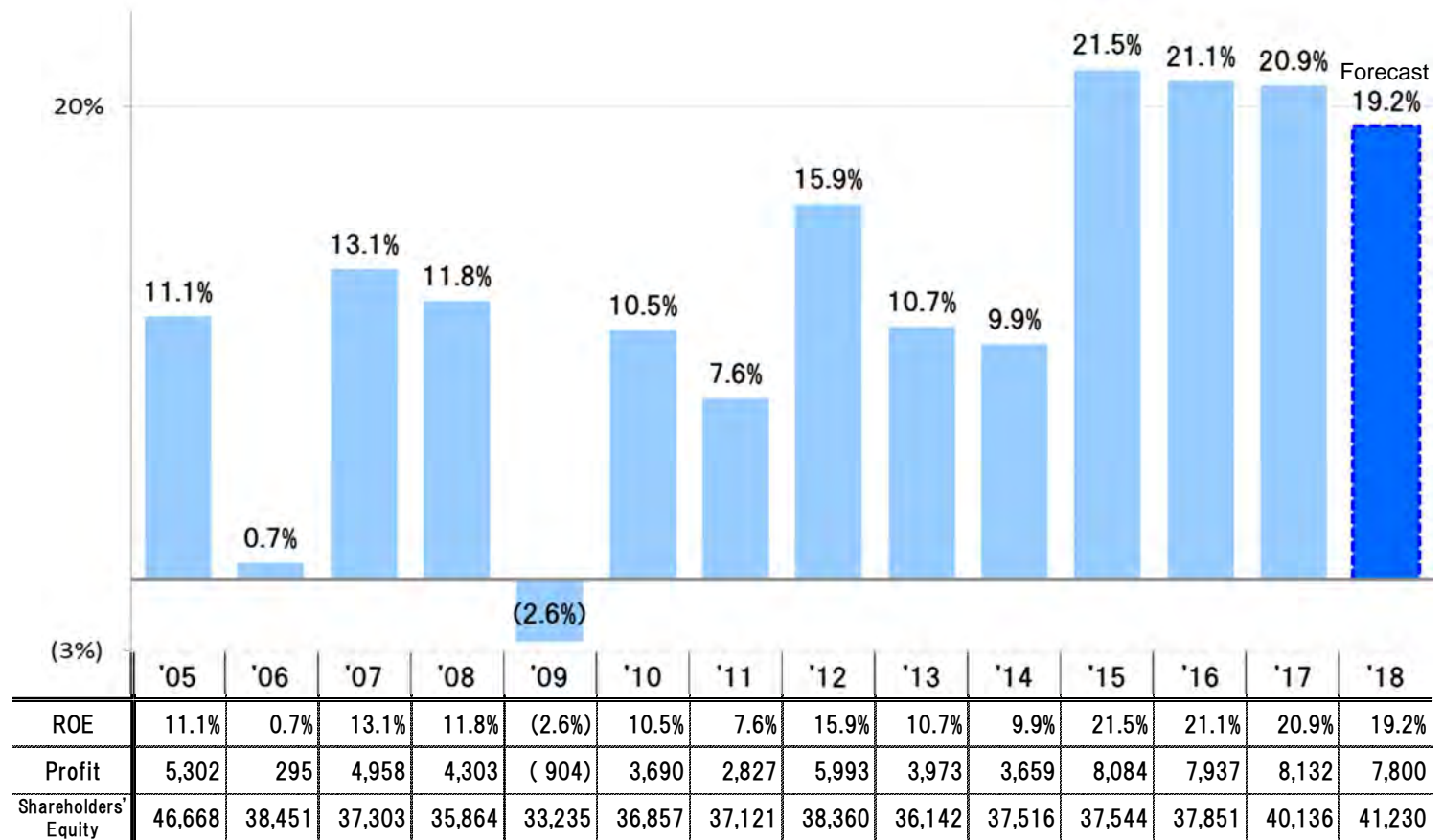
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## Shareholders' Equity and Cash and Deposit



- 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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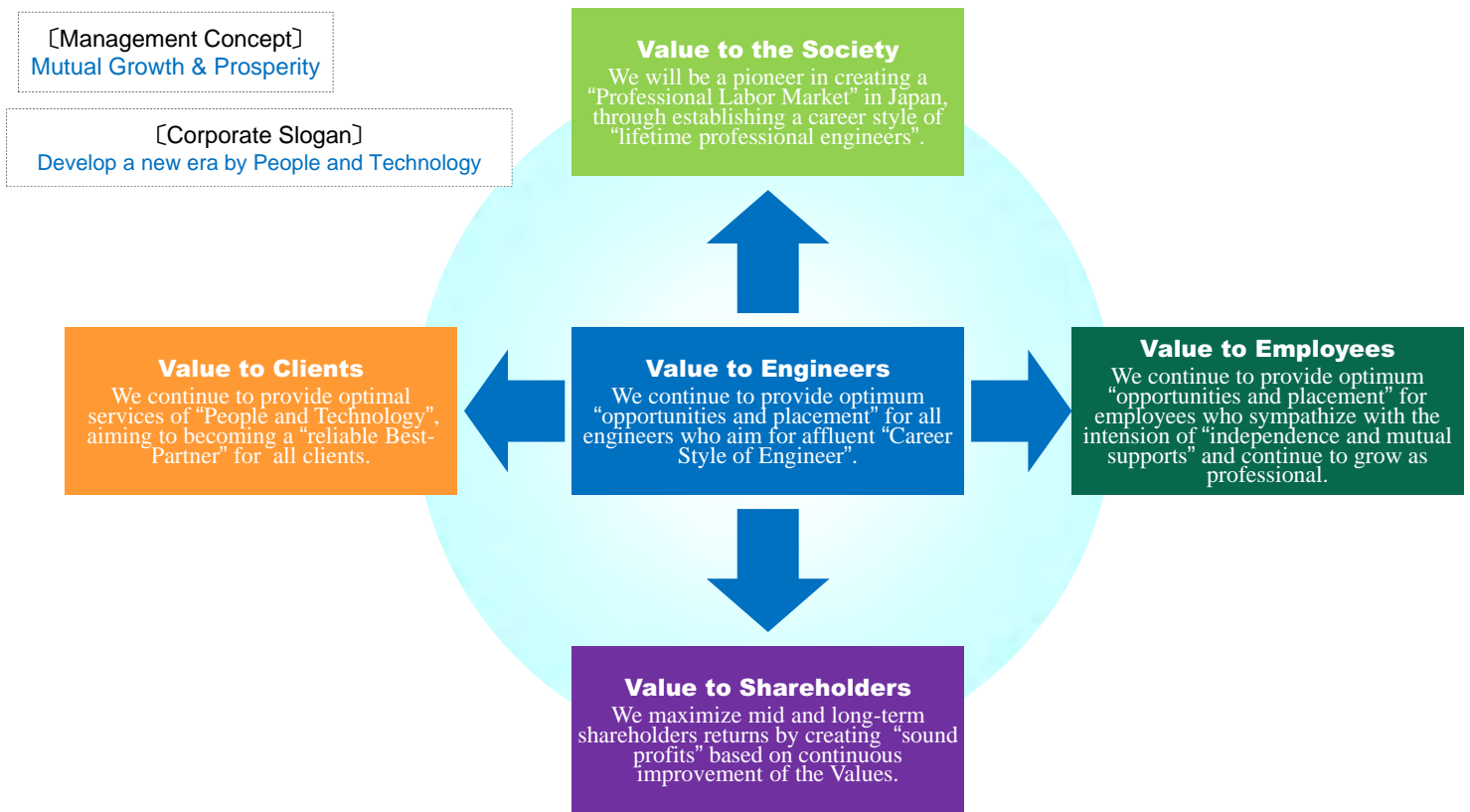
# Trend of Profit Distributions and Forecast

(Fractions of one million yen are rounded)													Actual	Forecast	
	FY2005	FY2006	FY2007	FY2008	FY2009	FY2010	FY2011	FY2012	FY2013	FY2014	FY2015	FY2016	FY2017	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%	80.3%	
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%	61.1%	
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	@¥169.00
	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	4,763
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	@¥77.00
	Millions of Yen	1,630	1,579	1,304	1,590	812		961	981	983	1,344	1,908	1,968	2,119	2,170
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	@¥92.00
	Millions of Yen	1,699	1,583	1,184	928		911	965	2,153	1,237	2,029	2,378	2,375	2,889	2,593
Acquisition of Treasury Shares	Thousands of shares	1,405	1,353	857	1,174			421	1,506	641	269	921	915	257	
	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	6,263
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	@¥276.74
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	

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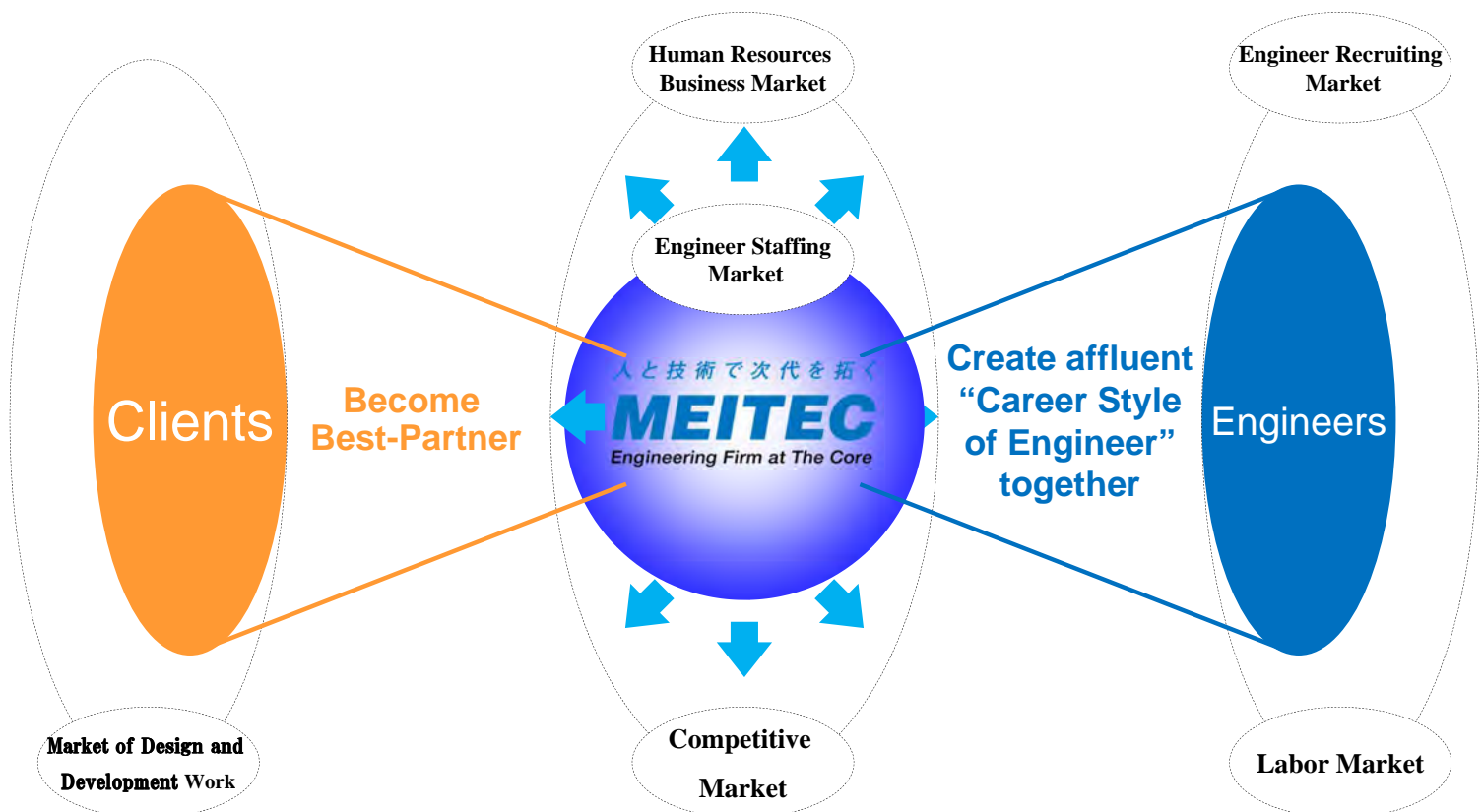
# “Ideal State of the Meitec Group”

We, the Meitec Group, with cooperation of all the employees, shall improve the five values continuously from the "Value to Engineers" as a starting point.



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# Target of Providing the Value



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## ***Engineering Firm at The Core***

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

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

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



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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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## I. Organization of the Company

### 1. Type of organization

Corporation with audit & supervisory board

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

#### i. Corporate Governance Committee

Chairman: Outside Director; Members: All Directors

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

#### ii. Officer Appointment Advisory Committee

Chairman: Outside Director;

Members: CEO and Outside Directors

#### Evaluating appropriateness of processes

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

CEO Candidates Screening Council

## II. Executives(As of March 31, 2018)

• Directors 8 (of which outside 2, independent 2)

• Audit & supervisory board members 4

(of which outside 4, independent 4)

\*The Company designates all the outside directors/audit & supervisory board members (executives) who satisfy the qualification for independent executives as independent executives.

## 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)

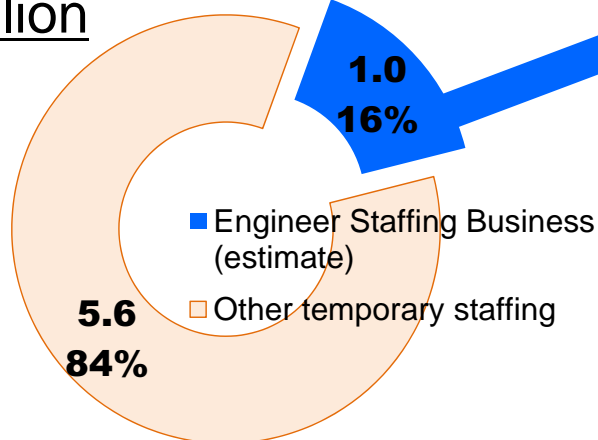
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## Market of Engineer Staffing Business (estimate)

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

### Annual sales of the Temporary Staffing Market (FY2016)

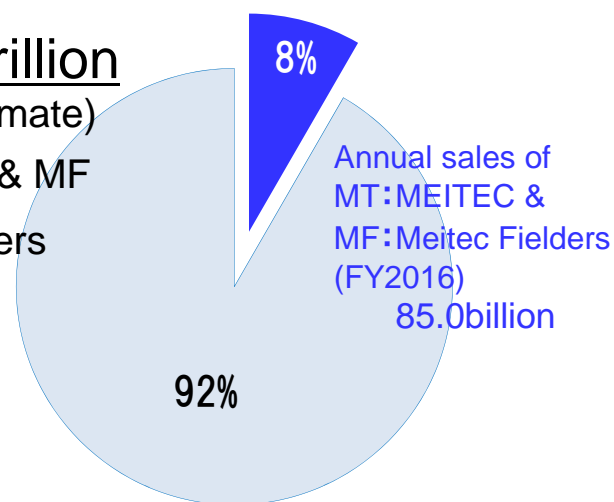
6.6trillion



### Engineer Staffing Business (estimate)

1.0trillion (estimate)

- MT & MF
- Others



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

# Shareholders by Business Segments

Shareholder Segment	(As of the Fiscal year ended March 31, 2018)			
	Shareholders	%	Shares Held	%
Banks	10	0.2%	456,311	1.5%
Trust Banks	20	0.4%	7,971,200	26.6%
Life and nonlife insurance companies	24	0.5%	3,881,883	12.9%
Securities financing and other financial companies	6	0.1%	18,960	0.1%
Securities companies	33	0.7%	375,946	1.3%
Business concerns and other companies	71	1.5%	162,759	0.5%
Overseas companies and investors	253	5.2%	12,567,255	41.9%
Individuals and others	4,468	91.5%	4,565,686	15.2%
<b>Total</b>	<b>4,885</b>	<b>100.0%</b>	<b>30,000,000</b>	<b>100.0%</b>

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# Company Information

<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 1,000 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, Osaka, Nagoya, 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>

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