

May 13, 2016

**SUMMARY OF THE Q&A SESSION**  
**AT THE IR MEETING FOR THE FISCAL YEAR ENDED MARCH 31, 2016**

MEITEC CORPORATION

1. Date: May 10, 2016, 16:00–16:40
2. Place: 10th Floor, Marunouchi Conference Square M+
3. Q&A:
  - Q. I would like to ask you first about your view on the cost rate. Companies that run staffing businesses typically see an increase in margins when sales rise, but Meitec has raised its cost rate. Is this because you are considering raising pay for engineers?
  - A. We have raised pay for employees for three straight years, but our forecast for a higher cost rate in the fiscal year ending March 31, 2017 mainly reflects an expected modest drop in the utilization ratio compared with last year.
  
  - Q. Based on your comments, you seem to have no real concerns about the business environment at the moment. But why do you expect the utilization ratio to decline year on year?
  - A. New orders are firm and market conditions are favorable. However, investment in technology development by clients tends to change rapidly, so we are preparing for any situations in the future, including strategically rotating our engineers.  
This policy of strategic rotation leads to intervals between the start and end of assignments, which is likely to push down the utilization ratio compared with the previous fiscal year.
  
  - Q. Meitec Fielders appears to be recruiting more mid-career engineers than Meitec. Is this because the engineer recruitment market in Meitec's pay range is saturated, so you are focusing more on Meitec Fielders' mid-range market?
  - A. Meitec hires engineers that work for average pay rates of ¥5,000 per hour.  
Meitec continues to balance quality and quantity in recruitment, but, practically speaking, it is difficult to secure quality candidates in engineer recruitment.  
Meanwhile, Meitec Fielders has the same stance on quality as the rest of the Meitec Group, but it has now built up a base of engineers and will continue to work hard to recruit new personnel.
  
  - Q. Is the Group's growth driver shifting from Meitec to Meitec Fielders?
  - A. Meitec and Meitec Fielders are both driving growth.  
In the field of design and development, we are focusing on a dual approach, with Meitec expanding its business in the high-end market and Meitec Fielders growing its business in the volume zone.

Q. You expect higher costs and SG&A expenses to push down operating income. Can you give us some concrete figures about the impact?

A. Sorry, I cannot provide you with a breakdown of those figures.

Q. Revisions to the Worker Dispatching Act make it compulsory for companies to provide training for temporary workers. We have heard this has led to an increase in spending on training and career progression at other staffing companies. However, in the case of Meitec, which has been training its personnel for some time, would it be fair to say that there will be no impact from additional spending on training and related areas?

A. We believe it is vital to provide training and support systems for career engineers. As you say, we have been doing this for some time, and we see no impact from this new regulatory requirement.

Q. Please tell us how you are responding to changes in the business environment. The type of skills engineers need changes rapidly. What specific steps are you taking to ensure your engineers acquire new skills to address those changes?

A. Our engineers have been absorbing new technologies and expertise by advancing their careers, based on their existing careers. These new and existing skills are displayed in their output and performance. Our engineers are responding to changes in their fields by building on their base of existing skills.

Q. Will the sale of your four training facilities have a negative impact on transferring skills to future engineers?

A. There will be no impact whatsoever.

We suspended the use of the four facilities in October 2015 to reduce maintenance and repair costs.

The closure of the facilities leaves the Group with only two large training centers for the whole of Japan, but this will have no impact on training, as we have mid-size training facilities at each of our sales branches, which are located in leased properties.

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