



Consolidated Financial Report For the Three Months Ended June 30, 2013

July 30, 2013

Company Name: Meitec Corporation
Representative: Kosuke Nishimoto
President, Group CEO
Code No.: 9744 TSE 1ST Section

1. Consolidated Results for the 1st Quarter (April 1, 2013 to June 30, 2013)

(1) Consolidated operating results

(Fractions of one million yen are rounded down)

	Net Sales		Operating Income		Ordinary Income		Net Income	
	Millions of Yen	%	Millions of Yen	%	Millions of Yen	%	Millions of Yen	%
Three months ended June 30, 2013	17,507	4.8	1,385	3.1	1,388	2.3	743	(2.6)
Three months ended June 30, 2012	16,704	7.4	1,344	39.1	1,357	37.7	763	57.1

(Note) Comprehensive Income; as of 1st quarter ended June 30, 2013: 748 million yen [0.9%]
as of 1st quarter ended June 30, 2012: 741 million yen [53.6%]

	Net Income per Share	Diluted Net Income per Share
	Yen	Yen
Three months ended June 30, 2013	23.83	—
Three months ended June 30, 2012	23.35	—

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio
	Millions of Yen	Millions of Yen	%
As of June 30, 2013	56,148	37,017	65.8
As of March 31, 2013	58,002	38,422	66.1

Reference: Shareholders' Equity; as of June 30, 2013: 36,961 million yen
as of March 31, 2013: 38,360 million yen

2. Dividends

(Record date)	Annual Dividends per Share				
	1st Quarter	2nd Quarter	3rd Quarter	Year-end	Total
	Yen	Yen	Yen	Yen	Yen
FY ended March 31, 2012	—	30.00	—	69.00	99.00
FY ending March 31, 2013	—				
FY ending March 31, 2013 (Forecast)		31.50	—	40.50	72.00

(Note) Revision of dividends forecast from recent forecast: None

3. Consolidated Forecasts for Fiscal Year ending March 31, 2014

(% is comparison to the same period of previous fiscal year)

	Net Sales		Operating Income		Ordinary Income		Net Income		Net Income per Share
	Millions of Yen	%	Millions of Yen	%	Millions of Yen	%	Millions of Yen	%	
Six months ending September 30, 2013	35,500	4.0	2,600	(10.1)	2,600	(11.7)	1,500	(11.3)	48.08
FY ending March 31, 2014	73,500	4.5	6,400	0.7	6,400	(0.4)	4,000	(33.3)	128.22

(Note) Revision of performance forecast from recent forecast: None

Notes to Financial Statements

- (1) Significant changes involving subsidiaries during the term: None
(Changes in specific subsidiaries that affected the scope of consolidation)
- (2) Adoption of special accounting treatment for preparing quarterly consolidated financial Statements: Yes
- (3) Change in accounting principle, procedure and presentation method for preparing the consolidated financial statements
- | | |
|--|------|
| i. Change in accounting principle : | None |
| ii. Changes not relating to i. : | None |
| iii. Changes in accounting estimates : | None |
| iv. Restatements : | None |
- (4) Number of shares issued (common stock)
- | | |
|---|------------|
| i. Number of shares issued at the fiscal year end (including treasury shares) | |
| 1 st quarter ended June 30, 2013: | 33,000,000 |
| FY ended March 31, 2013: | 33,000,000 |
| ii. Number of treasury shares at the fiscal year end | |
| 1 st quarter ended June 30, 2013: | 1,802,739 |
| FY ended March 31, 2013: | 1,802,520 |
| iii. Average number of shares outstanding during the period | |
| 1 st quarter ended June 30, 2013: | 31,197,390 |
| 1 st quarter ended June 30, 2012: | 32,703,281 |

*** Indication of quarterly review procedure implementation status**

At the time of disclosure of the financial results, the quarterly financial statement review procedures based upon the Financial Instruments and Exchange Act, have not been completed.

*** Advice relating to appropriate use of financial forecasts and other relevant information**

Earnings forecasts and other forward-looking statements in this release are based on data currently available to management and certain assumptions that management believes are reasonable, and it is not intended to promise its achievement. Actual results may therefore differ materially from these statements for various reasons. For cautionary notes concerning assumptions for earnings forecasts and use of earning forecasts, please refer to “(3) Qualitative Information on the Consolidated Forecasts” under “1. Qualitative Information on the Consolidated Results for the 1st Quarter”.

1. Qualitative Information on the Consolidated Results for the 1st Quarter

(1) Qualitative Information on the Consolidated Operating Results

Figure 1: Summary ; Consolidated Operating Results

(Millions of yen, rounded down)	1st Q FY ended June 30, 2012	1st Q FY ended June 30, 2013	YoY Amount	Change(%)
Net Sales	16,704	17,507	+803	+4.8%
Cost of Sales	12,276	13,048	+771	+6.3%
SG&A Expenses	3,083	3,073	(9)	(0.3)%
Operating Income	1,344	1,385	+41	+3.1%
Ordinary Income	1,357	1,388	+31	+2.3%
Income before income taxes	1,373	1,370	(3)	(0.2)%
Net Income	763	743	(20)	(2.6)%

Figure 2: Summary ; Results of Four Business Domains

(Millions of yen, rounded down)	Meitec Group (Consolidated)					
	Temporary Staffing Business	Engineering Solutions Business	Global Business	Recruiting & Placement Business	Eliminations / Corporate	
Net Sales	17,507	16,788	539	17	223	(61)
Component Ratio	100.0%	95.9%	3.1%	0.1%	1.3%	(0.3)%
YoY Amount	+803	+721	(40)	+4	+58	+58
%Change	+4.8%	+4.5%	(6.9%)	+40.6%	+35.0%	—
Operating Income	1,385	1,349	(25)	(18)	78	1
Component Ratio	100.0%	97.4%	(1.9%)	(1.3%)	5.7%	0.1%
YoY Amount	+41	+43	(24)	(4)	+27	0
%Change	+3.1%	+3.3%	—	—	+52.6%	+12.8%

Figure 3: Summary ; Meitec Group Results

(millions of yen, rounded down)		Net Sales		Operating Income		Ordinary Income		Net Income	
		YoY Amount	YoY Amount	YoY Amount	YoY Amount	YoY Amount	YoY Amount		
Temporary Staffing Business	Meitec	13,814	+465	1,190	+2	1,560	+94	973	+70
	Meitec Fielders	2,440	+251	120	+26	120	+26	74	+16
	Meitec Cast	619	+21	35	+12	35	+11	21	+7
Engineering Solutions Business	Meitec CAE	226	(23)	19	(21)	19	(21)	11	(13)
	Apollo Giken Gr.	313	(16)	(45)	(4)	(47)	(6)	(34)	(16)
Global Business	Meitec Shanghai	—	—	(2)	+0	(1)	+0	(1)	+0
	Meitec Xian	1	+0	(6)	(2)	(6)	(2)	(6)	(2)
	Meitec Chengdu	0	+0	(7)	(2)	(7)	(2)	(7)	(2)
	Meitec Shanghai HR	6	+1	(4)	+2	(5)	+2	(5)	+2
Recruiting & Placement Business	Meitec Next	222	+57	86	+30	86	+30	58	+6
	all engineer.jp	2	+0	(7)	(3)	(7)	(3)	(7)	(3)

Figure 4: Meitec Group Temporary Engineer Staffing Business

		1st Q FY ended June 30, 2012	1st Q FY ended June 30, 2013
MT* ¹ +MF* ² +CAE* ³	Period-End Engineering Staff ^d	6,992	7,380
MT* ¹ +MF* ²	Period-End Engineering Staff ^d	6,911	7,295
	Utilization ratio (Company-wide)	91.8%	90.4%
	Utilization ratio(Excluding new hires ²)	96.1%	96.0%
MT* ¹	Period-End Engineering Staff ^d	5,591	5,858
	Of which assigned to internal engineering projects ¹	59	59
	Utilization ratio (Company-wide)	92.9%	91.0%
	Utilization ratio(Excluding new hires ²)	96.0%	95.8%
	Working Hours	8.80h/day	8.84h/day
MF* ²	Period-End Engineering Staff	1,320	1,437
	Utilization ratio (Company-wide)	86.8%	87.9%
	Utilization ratio(Excluding new hires ²)	96.5%	96.7%
	Working Hours	8.76h/day	8.87h/day
CAE* ³	Period-End Engineering Staff	81	85

*1 : Meitec Corporation *2 : Meitec Fielders,Inc *3 : Meitec CAE Corporation

Note 1: Number of engineers for Meitec does not include engineers who are assigned to our internal engineering projects and lecturer for internal training.

Note 2: Engineers who never been assigned to job are excluded.

See the Meitec homepage for monthly and quarterly utilization ratio figures:

http://www.meitec.co.jp/e/ir/financial_performance.html

(1)-1. Consolidated Operating Results

During the three months from April 1, 2013, to June 30, 2013, although a moderate recovery of the Japanese economy was seen partly because of the effect of economic measures and financial policies implemented by the Japanese government, uncertainty over the future economy persisted due to precarious overseas economies such as prolonged European financial issues and the decelerating Chinese economy.

Based on our recognition, many leading manufacturers, which are the major customers of the Company, continued steady investments in technological development looking to the next generation despite the economic uncertainty. Under such circumstances, in temporary engineer staffing—the Group’s core business—the number of engineers assigned to customers increased via reinforcing sales activities. Primarily for this reason, consolidated net sales for the period under review increased ¥803 million, or 4.8%, from a year earlier to ¥17,507 million. Consolidated cost of sales advanced ¥771 million, or 6.3%, from a year earlier to ¥13,048 million, chiefly because of increased labor costs due to an increase in the number of engineers as (546) newly graduated joined us in April of this year (MT: 379, MF: 167).

Consolidated selling, general and administrative expenses fell ¥9 million, or 0.3%, from a year earlier to ¥3,073 million. As a result, consolidated operating income for the period under review increased ¥41 million, or 3.1%, from a year earlier to ¥1,385 million, and consolidated ordinary income increased ¥31 million, or 2.3%, to ¥1,388 million. Consolidated net income declined ¥20 million, or 2.6%, to ¥743 million due to an increase in extraordinary loss.

(1)-2. Operating Results of Business Domains

(1)-2.i Temporary Staffing Business

Net sales in the Temporary Staffing Business segment for the period under review increased ¥721 million, or 4.5%, from a year earlier to ¥16,788 million. The major reason for this increase was an increase in the number of engineers assigned to customers in the Temporary Staffing Business, which accounts for more than 90% of consolidated net sales, particularly in temporary engineer staffing, the core business of this segment. Operating income increased ¥43 million, or 3.3%, from a year earlier to ¥1,349 million.

The Company’s non-consolidated average utilization ratio (overall) was 91.0%, a slight decline from 92.9% a year earlier. A major reason for this decline was the hiring of 379 newly graduated engineer in April of this year, an increase of 159 over the previous year.

Also, working hours were steady at 8.84 hours/day (8.80 hours/day for the same period of the previous fiscal year).

(1)-2.ii Engineering Solutions Business

In the Engineering Solutions Business, the Company provides engineering services related to analytical technologies, prototype production, casting/metal mold production and technology support for printed-circuit boards.

Net sales in the Engineering Solutions Business for the period under review fell ¥40 million, or 6.9%, from a year earlier to ¥539 million, and an operating loss of ¥25 million was posted compared with a loss of ¥1 million a year earlier.

Sales and profit declined both in Meitec CAE and the Apollo Giken Group due to a decrease in orders received.

(1)-2.iii Global Business

The Global Business engages in job placement and vocational training for students to supply human resources for Japanese manufacturers that operate in the coastal areas of China.

Net sales in the Global Business for the period under review increased ¥4 million, or 40.6%, from a year earlier to ¥17 million, and an operating loss of ¥18 million was posted compared with a loss of ¥13 million a year earlier.

(1)-2.iv Recruiting & Placement Business

The Recruiting & Placement Business involves the job placement and an information portal site business intended for engineers.

Net sales in the Recruiting & Placement Business advanced ¥58 million, or 35.0%, from a year earlier to ¥223 million, and operating income increased ¥27 million, or 52.6%, to ¥78 million.

Meitec Next achieved sales and profit growth due to an increasing number of job placements.

(2) Qualitative Information on the Consolidated Financial Position

Figure 5: Overview of the Consolidated Financial Position

(millions of yen, rounded down)	FY ended March 31, 2013	1st Q FY ended June 30, 2013	YoY	
			Amount	Change(%)
Total current assets	41,802	40,151	(1,651)	(3.9%)
Total noncurrent assets	16,199	15,997	(202)	(1.2%)
Total assets	58,002	56,148	(1,853)	(3.2%)
Total current liabilities	9,683	9,058	(624)	(6.5%)
Total noncurrent liabilities	9,895	10,072	+176	+1.8%
Total liabilities	19,579	19,131	(448)	(2.3%)
Total shareholders' equity	39,264	37,854	(1,409)	(3.6%)
Valuation and translation adjustments	(903)	(892)	+10	—
Minority interests	61	55	(5)	(9.3%)
Total net assets	38,422	37,017	(1,404)	(3.7%)
Total liabilities and net assets	58,002	56,148	(1,853)	(3.2%)

(2)-1. Assets

Total consolidated assets at the end of the first quarter (June 30, 2013) decreased ¥1,853 million from March 31, 2013, to ¥56,148 million. A major factor in this decrease was a year-on-year decline of ¥1,651 million in current assets associated with a decrease in cash and deposits.

Main reasons for the decrease in cash and deposits were the payment of bonuses and year-end dividends for the previous fiscal year.

(2)-2. Liabilities

Total consolidated liabilities at the end of the first quarter (June 30, 2013) decreased ¥448 million from March 31, 2013, to ¥19,131 million, primarily due to a decrease in ¥624 million in current liabilities from the previous fiscal year end.

The major factors responsible for the decrease in current liabilities included a decrease in provision for bonuses according to the payment of bonuses.

(2)-3. Net Assets

Total consolidated net assets at the end of the first quarter (June 30, 2013) decreased ¥1,404 million from March 31, 2013, to ¥37,017 million. This result was chiefly due to a decrease in shareholders' equity associated with the payment of year-end dividends for the previous fiscal year.

(3) Qualitative Information on the Consolidated Forecasts

(3)-1. Earnings Forecasts

As the consolidated operating results for the period under review were mostly in line with the earnings forecasts for the period, the full-year forecasts for the fiscal year ending March 31, 2014 have not been revised.

For details of these forecasts, please refer to the Consolidated Financial Report for the Fiscal Year ended March 31, 2013, released on May 9, 2013, and the IR presentation materials on the Company's website.

(3)-2. Dividend Forecasts

No revision has been made to the most recent dividend forecasts because the earnings forecasts for the fiscal year have not been revised as mentioned above.

Concerning our basic policy regarding profit distribution, please refer to the Company's Financial Highlights for the Fiscal Year Ended March 31, 2013, released on May 9, 2013, and the IR presentation materials on the Company's website.

Note: Earnings forecasts and other forward-looking statements in this release are based on data currently available to management and certain assumptions that management believes are reasonable. Actual results may therefore differ materially from these statements for various reasons.

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

2. Matters Concerning Summary Information (Notes)

Adoption of special accounting treatment for preparing quarterly consolidated financial Statements

Computation of tax expenses

After application of tax effect accounting to income before income taxes for the fiscal year ending March 31, 2014, which includes the 1st quarter under review, we estimate a reasonable tax rate and multiply income before income taxes by that rate.

3. Consolidated Financial statements

(1) Consolidated Balance Sheets

(Thousands of Yen)

	Fiscal year ended March 31, 2013	The 1st Quarter ended Jun. 30, 2013
Assets		
Current assets		
Cash and deposits	26,592,997	25,023,560
Notes and accounts receivable-trade	10,887,556	10,355,050
Work in process	286,234	599,670
Other	4,046,287	4,189,951
Allowance for doubtful accounts	(10,670)	(16,893)
Total current assets	41,802,406	40,151,339
Noncurrent assets		
Property, plant and equipment		
Buildings and structures, net	6,858,455	6,785,572
Other, net	4,050,101	4,050,211
Total property, plant and equipment	10,908,556	10,835,783
Intangible assets		
Other	1,027,245	900,211
Total intangible assets	1,027,245	900,211
Investments and other assets		
Other	4,287,677	4,286,541
Allowance for doubtful accounts	(23,709)	(24,883)
Total investments and other assets	4,263,967	4,261,657
Total noncurrent assets	16,199,770	15,997,652
Total assets	58,002,176	56,148,992

(Thousands of Yen)

	Fiscal year ended March 31, 2013	The 1st Quarter ended Jun. 30, 2013
Liabilities		
Current liabilities		
Accounts payable-trade	104,196	67,144
Income taxes payable	296,558	601,676
Provision for directors' bonuses	125,644	19,644
Provision for bonuses	4,662,319	2,078,971
Other	4,495,035	6,291,491
Total current liabilities	<u>9,683,754</u>	<u>9,058,927</u>
Noncurrent liabilities		
Provision for retirement benefits	9,843,318	10,018,021
Other	52,505	54,376
Total noncurrent liabilities	<u>9,895,824</u>	<u>10,072,397</u>
Total liabilities	<u>19,579,578</u>	<u>19,131,325</u>
Net assets		
Shareholders' equity		
Capital stock	16,825,881	16,825,881
Capital surplus	9,299,905	9,299,907
Retained earnings	17,425,800	16,016,716
Treasury stock	(4,287,298)	(4,287,807)
Total shareholders' equity	<u>39,264,288</u>	<u>37,854,698</u>
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	6,378	5,089
Revaluation reserve for land	(878,313)	(878,313)
Foreign currency translation adjustment	(31,401)	(19,699)
Total accumulated other comprehensive income	<u>(903,336)</u>	<u>(892,923)</u>
Minority interests	61,645	55,891
Total net assets	<u>38,422,597</u>	<u>37,017,666</u>
Total liabilities and net assets	<u>58,002,176</u>	<u>56,148,992</u>

(2) Consolidated Statements of Income and Comprehensive Income
(Consolidated Statements of Income)

(Thousands of Yen)

	The 1st Quarter ended Jun. 30, 2012	The 1st Quarter ended Jun. 30, 2013
Net sales	16,704,212	17,507,639
Cost of sales	12,276,703	13,048,494
Gross profit	4,427,508	4,459,144
Selling, general and administrative expenses	3,083,330	3,073,370
Operating income	1,344,177	1,385,774
Non-operating income		
Interest income	785	451
Dividends income	2,385	624
Rent income	2,369	2,243
Other	10,755	4,175
Total non-operating income	16,295	7,495
Non-operating expenses		
Commitment fee	1,371	1,202
Foreign exchange losses	1,216	2,793
Other	417	665
Total non-operating expenses	3,005	4,661
Ordinary income	1,357,468	1,388,607
Extraordinary income		
Settlement received	16,538	—
Total extraordinary income	16,538	—
Extraordinary loss		
Loss on retirement of noncurrent assets	295	12,864
Impairment loss	—	5,137
Total extraordinary losses	295	18,002
Income before income taxes and minority interests	1,373,710	1,370,605
Income taxes-current	618,715	633,464
Income taxes	618,715	633,464
Income before minority interests	754,995	737,140
Minority interests in loss	(8,556)	(6,401)
Net income	763,551	743,542

(Consolidated Statements of Comprehensive Income)

(Thousands of Yen)

	The 1st Quarter ended Jun. 30, 2012	The 1st Quarter ended Jun. 30, 2013
Consolidated quarterly statements of comprehensive income		
Income before minority interests	754,995	737,140
Other comprehensive income		
Valuation difference on available-for-sale securities	(18,523)	(1,288)
Foreign currency translation adjustment	4,925	12,350
Total other comprehensive income	(13,598)	11,061
Comprehensive income	741,396	748,202
Comprehensive income attributable to		
Comprehensive income attributable to owners of the parent	749,205	753,955
Comprehensive income attributable to minority interests	(7,808)	(5,753)

(3) Notes to Quarterly Financial Statements

(3)-1 Notes to Financial Statements Regarding Going Concern: None

(3)-2 Significant changes in shareholders' equity: None