



Consolidated Financial Report For the Fiscal Year Ended March 31, 2023

May 11, 2023

Company Name: MEITEC CORPORATION
Representative: Hideyo Kokubun
President, Group CEO
Code No.: 9744 TSE Prime Market

[Fractions of one million yen are rounded down]

1. Consolidated Results for the Fiscal Year Ended March 31, 2023 (April 1, 2022 to March 31, 2023)

(1) Consolidated operating results

(% is comparison to the previous fiscal year)

	Net Sales		Operating Profit		Ordinary Profit		Profit Attributable to Owners of Parent	
	Millions of Yen	%	Millions of Yen	%	Millions of Yen	%	Millions of Yen	%
FY ended March 31, 2023	119,069	11.1	16,462	28.4	16,540	27.7	12,252	32.6
FY ended March 31, 2022	107,140	10.9	12,817	25.2	12,948	25.6	9,240	31.5

(Note) Comprehensive Income; FY ended March 31, 2023: 12,469 million yen [31.3 %]
FY ended March 31, 2022: 9,498 million yen [31.4 %]

	Earnings per Share	Diluted Net Income per Share	Return on Equity	Ordinary Profit to Total Assets ratio	Operating Profit per Net Sales
	Yen	Yen	%	%	%
FY ended March 31, 2023	153.87	—	26.6	19.9	13.8
FY ended March 31, 2022	113.85	—	20.6	16.5	12.0

(Note) The Company conducted a share split with a ratio of three shares for one share of common stock on July 1, 2022. Earnings per share is calculated assuming the share split to have been conducted at the start of the previous fiscal year.

(2) Consolidated financial position

	Total Assets	Net Assets	Equity Ratio	Net Assets per Share
	Millions of Yen	Millions of Yen	%	Yen
As of March 31, 2023	84,576	46,719	55.2	595.74
As of March 31, 2022	81,590	45,287	55.5	565.21

Reference: Shareholders' Equity; as of March 31, 2023: 46,719 million yen
as of March 31, 2022: 45,287 million yen

(Note) The Company conducted a share split with a ratio of three shares for one share of common stock on July 1, 2022. Net Assets per share is calculated assuming the share split to have been conducted at the start of the previous fiscal year.

(3) Consolidated cash flows

	Cash flows from Operating activities	Cash flows from Investing activities	Cash flows from financing activities	Cash and Cash Equivalents end of period
	Millions of Yen	Millions of Yen	Millions of Yen	Millions of Yen
FY ended March 31, 2023	12,808	(446)	(11,040)	51,028
FY ended March 31, 2022	13,532	(270)	(8,688)	49,706

2. Dividends

	Annual Dividends per Share					Total Amount (Annual)	Dividend Payout ratio (Consolidated)	Dividend on Equity (Consolidated)
	1st Quarter	2nd Quarter	3rd Quarter	Year-end	Total			
	Yen	Yen	Yen	Yen	Yen	Millions of Yen	%	%
FY ended March 31, 2022	—	78.50	—	139.00	217.50	5,848	63.7	13.1
FY ended March 31, 2023	—	39.00	—	63.00	102.00	8,065	66.3	17.6
FY ending March 31, 2024(Forecast)	—	40.00	—	49.00	89.00		60.7	

(Note) The Company implemented a stock split on July 1, 2022 at a ratio of 3 shares to 1 share of common shares. For the fiscal year ended March 31, 2022, the actual amount of dividends per share before the stock split is stated.

(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.

3. Consolidated Forecasts for the Fiscal Year Ending March 31, 2023

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

	Net Sales		Operating Profit		Ordinary Profit		Profit Attributable to Owners of Parent		Earnings per Share
	Millions of Yen	%	Millions of Yen	%	Millions of Yen	%	Millions of Yen	%	Yen
Six months ending September 30, 2023	62,400	7.5	7,800	2.8	7,900	3.5	5,200	1.8	66.31
FY ending March 31, 2024	126,500	6.2	16,800	2.0	16,800	1.6	11,500	(6.1)	146.64

Notes to Financial Statements

- (1) Significant changes involving subsidiaries during the term: None
(Changes in specific subsidiaries that affected the scope of consolidation)
- (2) Changes in accounting policies, changes in accounting estimates, and restatements
- | | |
|--|------|
| i. Change in accounting policies : | Yes |
| ii. Changes not relating to i. : | None |
| iii. Changes in accounting estimates : | None |
| iv. Restatements : | None |

(Note) For more details, please refer to (3) Notes to Consolidated Financial Statements (Changes in Accounting Policies) of 2. Consolidated Financial Statements on page 11.

- (3) Number of shares issued (common stock)
- | | |
|---|------------|
| i. Number of shares issued at the fiscal year end (including treasury shares) | |
| FY ended March 31, 2023: | 82,500,000 |
| FY ended March 31, 2022: | 84,300,000 |
| ii. Number of treasury shares at the fiscal year end | |
| FY ended March 31, 2023: | 4,078,400 |
| FY ended March 31, 2022: | 4,174,062 |
| iii. Average number of shares outstanding during the period | |
| FY ended March 31, 2023: | 79,628,779 |
| FY ended March 31, 2022: | 81,163,428 |

(Note) The Company conducted a share split with a ratio of three shares for one share of common stock on July 1, 2022. Number of shares issued at the fiscal year end, number of treasury shares at the fiscal year end, and average number of shares outstanding during the period have been calculated assuming the share split to have been conducted at the start of the previous fiscal year

* **Financial report is not included in the scope of the audit or the certified public accountant.**

* **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. 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.

1. Overview of Operating Results and Others

(1) Overview of Operating Results for the Fiscal Year

During the fiscal year under review (from April 1, 2022 to March 31, 2023), a moderate recovery in business conditions continued amid the normalization of social and economic activity as restrictions on behavior accompanying the COVID-19 pandemic were gradually lifted. However, the economic outlook remained uncertain due to a tense international situation, increases in the prices of resources, and other factors.

As a result of investment in technological development focused on the next generation of products by the leading manufacturers that constitute the Company's major clients, the order environment was strong.

Under these circumstances, as a result of the Company continuing proactive recruitment with an eye on medium- and long-term growth, the number of engineers (total for MT and MF) as of March 31, 2023, was 11,906 (up 641, or 5.7% compared to March 31, 2022), including 885 (MT: 474, MF: 411) new employees joining the Group in April 2022. In addition, while the utilization ratio started at a higher level this fiscal year than the previous year because of recovery from the second half of the previous fiscal year, the utilization ratio increased due to factors including improvement in the pace of assignments for new employees year on year and steady progress in assignments in response to orders. Therefore, the number of engineers assigned to clients increased.

As a result, consolidated net sales for the period under review increased ¥11,928 million, or 11.1%, from a year earlier to ¥119,069 million. Consolidated cost of sales increased ¥7,442 million, or 9.4%, from a year earlier to ¥86,360 million, due mainly to an increase in labor expenses associated with growth in the number of engineers. Consolidated selling, general and administrative expenses increased ¥840 million, or 5.5%, from a year earlier to ¥16,245 million, due mainly to an increase in hiring-related expenses. Consolidated operating profit increased ¥3,645 million, or 28.4%, from a year earlier to ¥16,462 million.

Consolidated ordinary profit increased ¥3,592 million, or 27.7% from a year earlier to ¥16,540 million. Profit attributable to owners of parent increased ¥3,011 million, or 32.6% from a year earlier to ¥12,252 million due to decreased tax burden on MEITEC and MEITEC Fielders.

For details, please refer to the "Results for the Fiscal Year Ended March 31, 2023" released today on the Company's website..

Operating results by business segment were as follows.

(1)-1. Engineering Solutions Business

Net sales in the Engineering Solutions Business segment, which accounts for more than 90% of consolidated net sales, especially in the temporary engineer staffing business, our core business, increased ¥11,740 million, or 11.1%, from a year earlier to ¥117,456 million on the back of the increase in number of engineers assigned to clients. Operating profit increased ¥3,572 million, or 28.9%, from a year earlier to ¥15,915 million.

The Company's nonconsolidated utilization ratio (overall) increased compared with the previous fiscal year to 97.2% from 94.3%. Working hours decreased compared with the previous fiscal year to 8.38 hours/day (8.42 hours/day for the previous fiscal year).

(1)-2. Recruiting & Placement Business for Engineers

MEITEC NEXT CORPORATION operates job placement business for engineers. Net sales for the fiscal year under review increased ¥151 million, or 9.9%, from a year earlier to ¥1,681 million, and operating profit increased ¥72 million, or 15.3%, from a year earlier to ¥547 million due to an increase in the number of job placements.

(2) Overview of Financial Position for the Fiscal Year

(2)-1. Assets

Total consolidated assets at the end of the fiscal year (March 31, 2023) increased ¥2,985 million from March 31, 2022 to ¥84,576 million. This reflected an increase of ¥2,547 million in current assets from the previous fiscal year-end.

The increase in current assets was mainly due to an increase in cash and deposits.

(2)-2. Liabilities

Total consolidated liabilities as of March 31, 2023 increased ¥1,554 million from March 31, 2022 to ¥37,856 million. This reflected an increase of ¥1,155 million in current liabilities and an increase of ¥398 million in noncurrent liabilities from the previous fiscal year-end.

The increase in current liabilities was primarily due to increases in provision for bonuses, along with other factors, while the increase in noncurrent liabilities was mainly due to factors such as an increase in retirement benefit liability.

(2)-3. Net Assets

Total consolidated net assets as of March 31, 2023 increased ¥1,431 million from March 31, 2022 to ¥46,719 million. This mainly reflected an increase in profit attributable to owners of parent due to business performance in the fiscal year under review, offset by the payment of dividends and purchase of treasury shares.

(3) Overview of Cash Flows for the Fiscal Year

Consolidated cash and cash equivalents (hereinafter, “cash”) as of March 31, 2023 increased by ¥1,321 million compared to the previous fiscal year-end to ¥51,028 million.

The situation and factors related to cash flows for the fiscal year under review are as follows:

(3)-1 Cash Flows from Operating Activities

Cash gained from operating activities decreased by ¥724 million compared to the previous fiscal year to ¥12,808 million. The cash gained was primarily due to profit before income taxes.

(3)-2 Cash Flows from Investing Activities

Cash used in investing activities increased by ¥175 million compared to the previous fiscal year to ¥446 million. Major uses of cash included ¥156 million yen for purchase of intangible fixed assets and ¥158 million yen for increase in investments and other assets.

(3)-3 Cash Flows from Financing Activities

Cash used in investing activities increased by ¥2,351 million compared to the previous fiscal year to ¥11,040 million.

Major uses of cash included ¥4,209 million in purchase of treasury shares and ¥6,830 million in cash dividends paid..

(4) Future Outlook

We are announcing the consolidated forecasts for the fiscal year ending March 31, 2024, including expectations that the order environment will remain strong and that the number of engineers will increase through proactive recruitment, based on the assumption that social and economic activity will gradually normalize as the COVID-19 pandemic is brought under control.

For details of the forecasts for the fiscal year ending March 31, 2024, please refer to the “Results for the Fiscal Year Ended March 31, 2023” released today 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, and it is not intended to promise the realization. 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. Basic Concept Regarding the Selection of Accounting Standards

The Company will continue to adopt the Japanese generally accepted accounting standards in the near term, as Meitec Group’s operations are centered on the domestic market. However, going forward, the Company will continue to study the selection of accounting standards, basing its considerations on factors such as investors’ demands as well as trends regarding the adoption of IFRS (International Financial Reporting Standards) by other Japanese companies.

2. Consolidated Financial Statements
(1) Consolidated Balance Sheets

(Millions of yen)

	Fiscal year ended March 31, 2022	Fiscal year ended March 31, 2023
Assets		
Current assets		
Cash and deposits	49,706	51,028
Notes and accounts receivable - trade	16,098	17,354
Work in process	178	172
Other	954	928
Allowance for doubtful accounts	(0)	—
Total current assets	66,937	69,484
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	3,271	3,124
Tools, furniture and fixtures, net	242	173
Land	1,487	1,487
Other, net	1	0
Total property, plant and equipment	5,002	4,785
Intangible assets		
Software	297	325
Other	48	44
Total intangible assets	345	369
Investments and other assets		
Investment securities	27	27
Deferred tax assets	8,458	8,994
Other	820	916
Allowance for doubtful accounts	(2)	(2)
Total investments and other assets	9,304	9,935
Total non-current assets	14,652	15,091
Total assets	81,590	84,576

(Millions of yen)

	Fiscal year ended March 31, 2022	Fiscal year ended March 31, 2023
Liabilities		
Current liabilities		
Accrued expenses	3,308	3,804
Income taxes payable	3,310	2,694
Accrued consumption taxes	2,472	2,749
Provision for bonuses for directors (and other officers)	238	181
Provision for bonuses	8,861	9,955
Other	1,477	1,440
Total current liabilities	19,669	20,824
Non-current liabilities		
Retirement benefit liability	16,633	17,032
Total non-current liabilities	16,633	17,032
Total liabilities	36,302	37,856
Net assets		
Shareholders' equity		
Share capital	5,000	5,000
Capital surplus	3,627	1,259
Retained earnings	44,865	49,207
Treasury shares	(7,035)	(7,795)
Total shareholders' equity	46,457	47,671
Accumulated other comprehensive income		
Revaluation reserve for land	(662)	(662)
Remeasurements of defined benefit plans	(506)	(289)
Total accumulated other comprehensive income	(1,169)	(951)
Total net assets	45,287	46,719
Total liabilities and net assets	81,590	84,576

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

(Millions of yen)

	Fiscal year ended March 31, 2022	Fiscal year ended March 31, 2023
Net sales	107,140	119,069
Cost of sales	78,917	86,360
Gross profit	28,223	32,708
Selling, general and administrative expenses	15,405	16,245
Operating profit	12,817	16,462
Non-operating income		
Interest income	1	1
Subsidy income	131	75
Other	10	13
Total non-operating income	144	89
Non-operating expenses		
Commission expenses	10	8
Commitment fees	2	2
Other	0	0
Total non-operating expenses	13	11
Ordinary profit	12,948	16,540
Extraordinary losses		
Impairment losses	4	—
Loss on retirement of non-current assets	0	3
Total extraordinary losses	5	3
Profit before income taxes	12,942	16,537
Income taxes - current	4,597	4,916
Income taxes - deferred	(895)	(630)
Total income taxes	3,701	4,285
Profit	9,240	12,252
Profit attributable to owners of parent	9,240	12,252

(Consolidated Statements of Comprehensive Income)

(Millions of yen)

	Fiscal year ended March 31, 2022	Fiscal year ended March 31, 2023
Profit	9,240	12,252
Other comprehensive income		
Remeasurements of defined benefit plans, net of tax	257	217
Total other comprehensive income	257	217
Comprehensive income	9,498	12,469
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	9,498	12,469

(3) Consolidated Statements of Changes in Equity
Fiscal year ended March 31, 2022

(Millions of Yen)

	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of period	5,000	6,155	40,903	(6,159)	45,898
Changes during period					
Dividends of surplus			(5,278)		(5,278)
Profit attributable to owners of parent			9,240		9,240
Purchase of treasury shares				(3,404)	(3,404)
Cancellation of treasury shares		(2,528)		2,528	—
Net changes in items other than shareholders' equity					
Total changes during period	—	(2,528)	3,962	(875)	558
Balance at end of period	5,000	3,627	44,865	(7,035)	46,457

	Accumulated other comprehensive income			Total net assets
	Revaluation reserve for land	Remeasurements of defined benefit plans	Total accumulated other comprehensive income	
Balance at beginning of period	(662)	(763)	(1,426)	44,472
Changes during period				
Dividends of surplus				(5,278)
Profit attributable to owners of parent				9,240
Purchase of treasury shares				(3,404)
Cancellation of treasury shares				—
Net changes in items other than shareholders' equity	—	257	257	257
Total changes during period	—	257	257	815
Balance at end of period	(662)	(506)	(1,169)	45,287

Fiscal year ended March 31, 2023

(Millions of Yen)

	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of period	5,000	3,627	44,865	(7,035)	46,457
Changes during period					
Dividends of surplus			(6,837)		(6,837)
Profit attributable to owners of parent			12,252		12,252
Purchase of treasury shares				(4,201)	(4,201)
Cancellation of treasury shares		(2,367)	(1,073)	3,440	—
Net changes in items other than shareholders' equity					
Total changes during period	—	(2,367)	4,342	(760)	1,213
Balance at end of period	5,000	1,259	49,207	(7,795)	47,671

	Accumulated other comprehensive income			Total net assets
	Revaluation reserve for land	Remeasurements of defined benefit plans	Total accumulated other comprehensive income	
Balance at beginning of period	(662)	(506)	(1,169)	45,287
Changes during period				
Dividends of surplus				(6,837)
Profit attributable to owners of parent				12,252
Purchase of treasury shares				(4,201)
Cancellation of treasury shares				—
Net changes in items other than shareholders' equity	—	217	217	217
Total changes during period	—	217	217	1,431
Balance at end of period	(662)	(289)	(951)	46,719

(4) Consolidated Statements of Cash Flows

(Millions of yen)

	Fiscal year ended March 31, 2022	Fiscal year ended March 31, 2023
Cash flows from operating activities		
Profit before income taxes	12,942	16,537
Depreciation	550	411
Impairment losses	4	—
Increase (decrease) in allowance for doubtful accounts	(0)	(0)
Increase (decrease) in provision for bonuses for directors (and other officers)	51	(57)
Increase (decrease) in provision for bonuses	2,059	1,093
Increase (decrease) in retirement benefit liability	717	711
Interest and dividend income	(1)	(1)
Subsidy income	(131)	(75)
Loss on retirement of non-current assets	0	3
Decrease (increase) in trade receivables	(1,498)	(1,255)
Decrease (increase) in inventories	(39)	6
Decrease (increase) in other current assets	(78)	24
Increase (decrease) in accrued expenses	465	495
Increase (decrease) in accrued consumption taxes	622	276
Increase (decrease) in other current liabilities	31	47
Other, net	156	102
Subtotal	15,852	18,319
Interest and dividends received	1	1
Income taxes paid	(2,587)	(5,588)
Income taxes refund	134	0
Subsidies received	131	75
Net cash provided by (used in) operating activities	13,532	12,808
Cash flows from investing activities		
Purchase of property, plant and equipment	(75)	(130)
Purchase of intangible assets	(122)	(156)
Payments for retirement of non-current assets	(0)	(0)
Decrease (increase) in investments and other assets	(72)	(158)
Net cash provided by (used in) investing activities	(270)	(446)
Cash flows from financing activities		
Purchase of treasury shares	(3,414)	(4,209)
Dividends paid	(5,273)	(6,830)
Net cash provided by (used in) financing activities	(8,688)	(11,040)
Net increase (decrease) in cash and cash equivalents	4,574	1,321
Cash and cash equivalents at beginning of period	45,132	49,706
Cash and cash equivalents at end of period	49,706	51,028

(5) Notes to Consolidated Financial Statements

(5)-1 Notes to Financial Statements Regarding Going Concern: None

(5)-2 Changes in Accounting Policies

Application of Implementation Guidance on Accounting Standard for Fair Value Measurement

The Company has applied the Implementation Guidance on Accounting Standard for Fair Value Measurement (ASBJ Guidance No. 31, June 17, 2021) from the start of the fiscal year ending March 31, 2023. In accordance with the transitional treatment provided in paragraph 27-2 of the Implementation Guidance on Accounting Standard for Fair Value Measurement, the new accounting policy stipulated by the Implementation Guidance on Accounting Standard for Fair Value Measurement will be applied prospectively. This change in accounting policy has no impact on the consolidated financial statements.

(5)-3 Additional Information

In the fiscal year ended March 31, 2023, amid the normalization of social and economic activity, we recorded operating profit per net sales of over 13% due to a strong order environment and improved utilization ratio.

We are assuming that social and economic activity will gradually normalize as the COVID-19 pandemic is brought under control. We expect that the pandemic will not have a significant impact on business results going forward.

Therefore, accounting estimates made by the Group, such as estimates of the recoverability of deferred tax assets, have been made on the assumption that the COVID-19 pandemic will not have a significant impact on business results.