



Consolidated Financial Report For the Three Months Ended June 30, 2022

July 28, 2022

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 1st Quarter (April 1, 2022 to June 30, 2022)

(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	%
Three months ended June 30, 2022	28,632	13.6	3,725	45.9	3,741	44.9	2,370	47.5
Three months ended June 30, 2021	25,196	6.0	2,552	(8.1)	2,581	(7.4)	1,606	(3.7)

(Note) Comprehensive Income; Three months ended June 30, 2022: 2,410 million yen [44.1%]
Three months ended June 30, 2021: 1,672 million yen [(3.5%)]

	Earnings per Share	Diluted Net Income per Share
	Yen	Yen
Three months ended June 30, 2022	29.58	—
Three months ended June 30, 2021	19.68	—

(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
	Millions of Yen	Millions of Yen	%
As of June 30, 2022	76,530	43,984	57.5
As of March 31, 2022	81,590	45,287	55.5

Reference: Shareholders' Equity; as of June 30, 2022: 43,984 million yen
as of March 31, 2022: 45,287 million yen

2. Dividends

	Annual Dividends per Share				
	1st Quarter	2nd Quarter	3rd Quarter	Year-end	Total
	Yen	Yen	Yen	Yen	Yen
FY ended March 31, 2022	—	78.50	—	139.00	217.50
FY ending March 31, 2023	—				
FY ending March 31, 2023 (Forecast)		34.00	—	45.00	79.00

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

The Company conducted a share split with a ratio of three shares for one share of common stock on July 1, 2022.
The annual dividend per share for the fiscal year ending March 31, 2023 (forecast) is the amount after taking into consideration the stock split. If the stock split is not taken into consideration, the annual dividend per share for the fiscal year ending March 31, 2023 (forecast) would be ¥237.00.

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3. Consolidated Forecasts for 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, 2022	57,300	12.5	6,800	27.4	6,800	25.8	4,500	26.8	56.16
FY ending March 31, 2023	119,000	11.1	15,400	20.1	15,500	19.7	10,500	13.6	131.04

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

Stated net income per share for the fiscal year ending March 31, 2023 (forecast) is the amount after taking into consideration the stock split noted in “2. Dividends”. Not taking into consideration the stock split, net income per share for the fiscal year ending March 2023 (forecast) would be ¥168.48 for the second quarter (cumulative) and ¥393.13 for the full year.

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) 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 Quarterly Financial Statements (Changes in Accounting Policies) of 2. Consolidated Financial Statements on page 6.

(4) Number of shares issued (common stock)

i. Number of shares issued at the fiscal year end (including treasury shares)

1st quarter ended June 30, 2022: 84,300,000

FY ended March 31, 2022: 84,300,000

ii. Number of treasury shares at the fiscal year end

1st quarter ended June 30, 2022: 4,174,407

FY ended March 31, 2022: 4,174,062

iii. Average number of shares outstanding during the period (first quarter cumulative)

1st quarter ended June 30, 2022: 80,125,788

1st quarter ended June 30, 2021: 81,629,053

(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.

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

Qualitative Information on the Consolidated Operating Results

During the first quarter of the current fiscal year (the three months from April 1, 2022 to June 30, 2022), restrictions on economic activity due to the effect of the novel coronavirus disease (COVID-19) eased, economic and social activity continued towards normalization, and signs of economic recovery were apparent; however, the economic outlook remained uncertain with a tense international situation, an increase in the price of resources, further depreciation of the yen, and so forth among other factors.

Investment in technological development looking to the next generation has picked up among leading manufacturers, who serve as the Company's major clients.

Under such circumstances, the Company continued active recruitment activities with an eye on medium- and long-term growth, so that the number of engineers across the group increased, with 885 new recruits (MT: 474, MF: 411) joining the group in April. Furthermore, orders received increased due to proposal sales, and after assigning new and existing employees, the number of engineers assigned to clients and the utilization ratio both increased. Moreover, working hours decreased slightly year on year, mainly due to a decrease in overtime work.

Mainly as a result of these factors, consolidated net sales increased ¥3,436 million, or 13.6%, from a year earlier to ¥28,632 million. Consolidated cost of sales increased ¥2,060 million, or 10.9%, from a year earlier to ¥20,896 million, mainly due to an increase in labor expenses associated with growth in the number of engineers, while selling, general and administrative expenses increased ¥203 million, or 5.3%, from a year earlier to ¥4,010 million. As a result, consolidated operating profit increased ¥1,172 million, or 45.9%, from a year earlier to ¥3,725 million.

Consolidated ordinary profit increased ¥1,159 million, or 44.9%, from a year earlier to ¥3,741 million, while profit attributable to owners of parent increased ¥763 million, or 47.5%, from a year earlier to ¥2,370 million.

For details, please refer to "Results for the 1st Quarter of the Fiscal Year Ending March 31, 2023" released today on TDnet and the Company's website.

2. Consolidated Financial Statements
(1) Consolidated Balance Sheets

(Millions of Yen)

	Fiscal year ended Mar. 31, 2022	The 1st Quarter ended Jun. 30, 2022
Assets		
Current assets		
Cash and deposits	49,706	43,995
Notes and accounts receivable - trade	16,098	16,582
Work in process	178	324
Other	954	1,050
Allowance for doubtful accounts	(0)	(0)
Total current assets	66,937	61,952
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	3,271	3,238
Other, net	1,731	1,711
Total property, plant and equipment	5,002	4,949
Intangible assets		
Other	345	348
Total intangible assets	345	348
Investments and other assets		
Deferred tax assets	8,458	8,441
Other	848	842
Allowance for doubtful accounts	(2)	(2)
Total investments and other assets	9,304	9,280
Total non-current assets	14,652	14,578
Total assets	81,590	76,530
Liabilities		
Current liabilities		
Income taxes payable	3,310	1,284
Provision for bonuses for directors (and other officers)	238	60
Provision for bonuses	8,861	4,277
Other	7,259	10,194
Total current liabilities	19,669	15,817
Non-current liabilities		
Retirement benefit liability	16,633	16,728
Total non-current liabilities	16,633	16,728
Total liabilities	36,302	32,546
Net assets		
Shareholders' equity		
Share capital	5,000	5,000
Capital surplus	3,627	3,627
Retained earnings	44,865	43,523
Treasury shares	(7,035)	(7,036)
Total shareholders' equity	46,457	45,114
Accumulated other comprehensive income		
Revaluation reserve for land	(662)	(662)
Remeasurements of defined benefit plans	(506)	(466)
Total accumulated other comprehensive income	(1,169)	(1,129)
Total net assets	45,287	43,984
Total liabilities and net assets	81,590	76,530

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

(Millions of Yen)

	The 1st Quarter ended Jun. 30, 2021	The 1st Quarter ended Jun. 30, 2022
Net sales	25,196	28,632
Cost of sales	18,835	20,896
Gross profit	6,360	7,736
Selling, general and administrative expenses	3,807	4,010
Operating profit	2,552	3,725
Non-operating income		
Interest income	0	0
Subsidy income	27	14
Other	1	1
Total non-operating income	28	15
Non-operating expenses		
Commitment fees	0	0
Other	0	0
Total non-operating expenses	0	0
Ordinary profit	2,581	3,741
Extraordinary losses		
Loss on retirement of non-current assets	0	0
Total extraordinary losses	0	0
Profit before income taxes	2,581	3,740
Income taxes	974	1,370
Profit	1,606	2,370
Profit attributable to owners of parent	1,606	2,370

(Consolidated Statements of Comprehensive Income)

(Millions of Yen)

	The 1st Quarter ended Jun. 30, 2021	The 1st Quarter ended Jun. 30, 2022
Profit	1,606	2,370
Other comprehensive income		
Remeasurements of defined benefit plans, net of tax	65	39
Total other comprehensive income	65	39
Comprehensive income	1,672	2,410
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	1,672	2,410

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(3) Notes to Quaterly Financial Statements

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

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

(3)-3 Application of special accounting for preparing quarterly consolidated financial statements

Tax expenses

Tax expenses are calculated by multiplying the profit before income taxes by the reasonably estimated effective tax rates after the application of tax effect accounting to the profit before income taxes for the fiscal year including the first quarter ended June 30, 2022.

(3)-4 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 first quarter 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 quarterly consolidated financial statements.

(3)-5 Additional Information

There has been no material change in the assumptions regarding the impact of the spread of COVID-19 stated in (Additional Information) of the Company's annual securities report for the fiscal year ended March 31, 2022.

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(3)-6 Important Subsequent Events

Share Split

By a resolution of the Board of Directors meeting held on May 12, 2022, the Company conducted a share split on July 1, 2022 and partially amended its Articles of Incorporation in relation to the share split.

1. Purpose of share split

The purpose of the share split is to raise the liquidity of the Company's shares by lowering the value per investment unit for the Company's shares, thereby establishing a more investment-friendly environment for investors.

2. Overview of share split

(1) Method of share split

The Company conducted a 3-for-1 share split of common shares owned by shareholders listed or recorded in the final register of shareholders with a record date of June 30, 2022.

(2) Number of shares increased by share split

(i) Total number of issued shares before the share split	28,100,000 shares
(ii) Number of shares to be increased by this share split	56,200,000 shares
(iii) Total number of issued shares after the share split	84,300,000 shares
(iv) Total number of shares authorized to be issued after the share split	200,000,000 shares

(3) Schedule of share split

(i) Date of public notice of the record date:	Friday, June 10, 2022
(ii) Record date:	Thursday, June 30, 2022
(iii) Effective date:	Friday, July 1, 2022

(4) Other

The amount of the Company's share capital will not change as a result of the share split.

3. Impact on per-share information

Impacts on per-share information are described in the relevant sections.

4. Partial Amendment to the Articles of Incorporation

(1) Reasons for amendment

In conjunction with the share split, the Company's Articles of Incorporation were amended effective Friday, July 1, 2022, in accordance with Article 184, paragraph (2) of the Companies Act.

(2) Details of amendment (Underlined portions indicate amendment)

After amendment	Current
Article 6 (Total number of shares authorized) The total number of shares of the Company authorized to be issued is <u>200,000,000</u> shares.	Article 6 (Total number of shares authorized) The total number of shares of the Company authorized to be issued is <u>142,854,400</u> shares.

(3) Schedule of amendment

Effective date: Friday, July 1, 2022