



Consolidated Financial Report For the Three Months Ended June 30, 2019

July 30, 2019

Company Name: Meitec Corporation
Representative: Hideyo Kokubun
President, Group CEO
Code No.: 9744 TSE 1st Section

[Fractions of one million yen are rounded down]

1. Consolidated Results for the 1st Quarter (April 1, 2019 to June 30, 2019)

(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, 2019	24,333	2.4	2,567	(14.5)	2,576	(14.3)	1,552	(18.3)
Three months ended June 30, 2018	23,755	4.4	3,004	9.1	3,006	9.2	1,899	12.0

(Note) Comprehensive Income; Three months ended June 30, 2019: 1,617 million yen [(17.6)%]
Three months ended June 30, 2018: 1,962 million yen [11.8%]

	Earnings per Share	Diluted Net Income per Share
	Yen	Yen
Three months ended June 30, 2019	55.63	—
Three months ended June 30, 2018	67.39	—

(2) Consolidated financial position

	Total Assets	Net Assets	Equity Ratio
	Millions of Yen	Millions of Yen	%
As of June 30, 2019	69,981	40,765	58.3
As of March 31, 2019	74,615	42,371	56.8

Reference: Shareholders' Equity; as of June 30, 2019: 40,765 million yen
as of March 31, 2019: 42,371 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, 2019	—	84.00	—	115.50	199.50
FY ending March 31, 2020	—				
FY ending March 31, 2020 (Forecast)		82.00	—	106.50	188.50

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

3. Consolidated Forecasts for Fiscal Year ending March 31, 2020

(% 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, 2019	49,700	4.4	5,800	(0.5)	5,800	(0.5)	3,800	(2.2)	136.18
FY ending March 31, 2020	102,000	4.4	12,800	1.3	12,800	1.2	8,700	(1.5)	311.77

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

(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.

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 : | 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) | |
| 1st quarter ended June 30, 2019: | 29,300,000 |
| FY ended March 31, 2019: | 29,300,000 |
| ii. Number of treasury shares at the fiscal year end | |
| 1st quarter ended June 30, 2019: | 1,395,207 |
| FY ended March 31, 2019: | 1,395,169 |
| iii. Average number of shares outstanding during the period | |
| 1st quarter ended June 30, 2019: | 27,904,799 |
| 1st quarter ended June 30, 2018: | 28,185,558 |

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

Qualitative Information on the Consolidated Operating Results

During the three months from April 1, 2019 to June 30, 2019, many leading manufacturers, which are the major clients of the Company, continued steady investment in technological development looking to the next generation regardless of business conditions. Amid such a firm order environment, the number of engineers assigned to clients steadily increased. However, the number of working days was reduced mainly due to the nationwide extended holiday in May.

Consolidated net sales for the period under review increased ¥578 million from a year earlier to ¥24,333 million, but has remained 2.4% mainly due to the extended holiday. Consolidated cost of sales rose ¥621 million, or 3.6%, from a year earlier to ¥18,048 million, chiefly because of higher labor costs due to an increase in the number of engineers including 616 new graduates joining us in April 2019 (MT: 418, MF: 198). Consolidated selling, general and administrative expenses rose ¥393 million, or 11.8%, from a year earlier to ¥3,717 million mainly due to higher system costs and hiring related expenses, and consolidated operating profit decreased ¥436 million, or 14.5%, from a year earlier to ¥2,567 million.

The forecast will not revise because the fact that the 1st quarter will decrease in profit due to the extended holiday in May this year is generally in line with the initial forecast.

Consolidated ordinary profit decreased ¥430 million, or 14.3%, from a year earlier to ¥2,576 million, and profit attributable to owners of parent decreased ¥347 million or 18.3%, from a year earlier to ¥1,552 million.

For details, please refer to the summary of the first quarter of the Fiscal Year ended March 31, 2020 on the Company's website.

2. Consolidated Financial Statements
(1) Consolidated Balance Sheets

(Millions of Yen)

	Fiscal year ended Mar. 31, 2019	The 1st Quarter ended Jun. 30, 2019
Assets		
Current assets		
Cash and deposits	45,052	38,640
Notes and accounts receivable - trade	13,884	13,950
Work in process	170	357
Other	931	2,569
Allowance for doubtful accounts	(2)	(2)
Total current assets	60,036	55,516
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	3,601	3,570
Other, net	1,801	1,797
Total property, plant and equipment	5,402	5,368
Intangible assets		
Other	742	700
Total intangible assets	742	700
Investments and other assets		
Deferred tax assets	7,640	7,612
Other	806	796
Allowance for doubtful accounts	(14)	(13)
Total investments and other assets	8,433	8,395
Total non-current assets	14,579	14,464
Total assets	74,615	69,981
Liabilities		
Current liabilities		
Income taxes payable	2,272	920
Provision for bonuses for directors (and other officers)	233	41
Provision for bonuses	7,697	3,591
Other	6,723	9,268
Total current liabilities	16,927	13,821
Non-current liabilities		
Retirement benefit liability	15,317	15,394
Total non-current liabilities	15,317	15,394
Total liabilities	32,244	29,215
Net assets		
Shareholders' equity		
Share capital	5,000	5,000
Capital surplus	9,198	9,198
Retained earnings	35,469	33,799
Treasury shares	(5,495)	(5,495)
Total shareholders' equity	44,173	42,502
Accumulated other comprehensive income		
Revaluation reserve for land	(662)	(662)
Remeasurements of defined benefit plans	(1,139)	(1,074)
Total accumulated other comprehensive income	(1,802)	(1,737)
Total net assets	42,371	40,765
Total liabilities and net assets	74,615	69,981

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

(Millions of Yen)

	The 1st Quarter ended Jun. 30, 2018	The 1st Quarter ended Jun. 30, 2019
Net sales	23,755	24,333
Cost of sales	17,426	18,048
Gross profit	6,328	6,285
Selling, general and administrative expenses	3,324	3,717
Operating profit	3,004	2,567
Non-operating income		
Interest income	0	0
Subsidy income	—	7
Other	2	2
Total non-operating income	2	10
Non-operating expenses		
Commitment fee	0	0
Loss on cancellation of rental contracts	—	0
Other	0	0
Total non-operating expenses	0	1
Ordinary profit	3,006	2,576
Extraordinary losses		
Loss on retirement of non-current assets	1	1
Total extraordinary losses	1	1
Profit before income taxes	3,005	2,574
Income taxes	1,105	1,022
Profit	1,899	1,552
Profit attributable to owners of parent	1,899	1,552

(Consolidated Statements of Comprehensive Income)

(Millions of Yen)

	The 1st Quarter ended Jun. 30, 2018	The 1st Quarter ended Jun. 30, 2019
Profit	1,899	1,552
Other comprehensive income		
Foreign currency translation adjustment	(0)	—
Remeasurements of defined benefit plans, net of tax	62	64
Total other comprehensive income	62	64
Comprehensive income	1,962	1,617
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	1,962	1,617
Comprehensive income attributable to non-controlling interests	(0)	—

(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, 2019.