



## Consolidated Financial Report For the Fiscal Year Ended March 31, 2019

May 9, 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 Fiscal Year Ended March 31, 2019 (April 1, 2018 to March 31, 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	%
FY ended March 31, 2019	97,736	4.4	12,635	10.3	12,643	10.3	8,829	8.6
FY ended March 31, 2018	93,618	4.0	11,458	2.8	11,465	2.9	8,132	2.5

(Note) Comprehensive Income; FY ended March 31, 2019: 8,974 million yen [8.0 %]  
 FY ended March 31, 2018: 8,309 million yen [0.7 %]

	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, 2019	315.43	—	21.4	17.4	12.9
FY ended March 31, 2018	286.64	—	20.9	16.7	12.2

#### (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, 2019	74,615	42,371	56.8	1,518.42
As of March 31, 2018	70,934	40,139	56.6	1,424.01

Reference: Shareholders' Equity; as of March 31, 2019: 42,371 million yen  
 as of March 31, 2018: 40,136 million yen

#### (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, 2019	10,273	(240)	(6,734)	45,052
FY ended March 31, 2018	10,957	(464)	(5,999)	41,753

### 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, 2018	—	74.50	—	102.50	177.00	5,008	61.8	12.9
FY ended March 31, 2019	—	84.00	—	115.50	199.50	5,567	63.3	13.6
FY ending March 31, 2020(Forecast)	—	82.00	—	106.50	188.50		60.5	

### 3. Consolidated Forecasts for the 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

## **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 :     | None |
| ii. Changes not relating to i. :       | None |
| iii. Changes in accounting estimates : | None |
| iv. Restatements :                     | None |
- (3) Number of shares issued (common stock)
- |   |            |
|---|------------|
| i. Number of shares issued at the fiscal year end (including treasury shares) |            |
| FY ended March 31, 2019:  | 29,300,000 |
| FY ended March 31, 2018:  | 30,000,000 |
| ii. Number of treasury shares at the fiscal year end                          |            |
| FY ended March 31, 2019:  | 1,395,169  |
| FY ended March 31, 2018:  | 1,814,423  |
| iii. Average number of shares outstanding during the period                   |            |
| FY ended March 31, 2019:  | 27,991,911 |
| FY ended March 31, 2018:  | 28,370,279 |

**\* 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.

**\* Change in amounts shown**

The amounts of figures shown for accounting items and other items presented in the Group's quarterly consolidated financial statements have until now been shown in units of one thousand yen. As of the first quarter and cumulative first quarter of the current fiscal year, however, these amounts have been changed to units of one million yen. To facilitate comparison, amounts for the previous fiscal year is also shown in units of million yen.

## 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, 2018 to March 31, 2019), many leading manufacturers, which are the major clients of the Company, continued investing in technological development looking to the next generation, unaffected by business conditions. Under this environment, companies redoubled their efforts on recruiting, leading to an increase in the number of engineers. The number of engineers assigned to clients steadily increased as a result of proceeding assignment to clients under a strong order environment.

As a result, consolidated net sales for the period under review increased ¥4,117 million, or 4.4%, from a year earlier to ¥97,736 million. Consolidated cost of sales rose ¥2,450 million, or 3.5%, from a year earlier to ¥71,701 million, chiefly because of higher labor costs due to an increase in the number of engineers. Consolidated selling, general and administrative expenses rose ¥489 million, or 3.8%, from a year earlier to ¥13,399 million. As a result, consolidated operating profit increased ¥1,177 million, or 10.3%, from a year earlier to ¥12,635 million, and consolidated ordinary profit rose ¥1,178 million, or 10.3%, from a year earlier to ¥12,643 million. Profit attributable to owners of parent increased ¥697 million, or 8.6%, from a year earlier to ¥8,829 million. For details, please refer to the IR presentation materials of the Fiscal Year ended March 31, 2019 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 for the fiscal year under review increased ¥4,049 million, or 4.4%, from a year earlier to ¥96,106 million. The main reason for the increase was an increase in the number of engineers assigned to clients in the Engineering Solutions Business, which accounts for more than 90% of consolidated net sales, particularly in the professional staffing business for engineers, the core business of this segment. Operating profit increased ¥1,162 million, or 10.7%, from a year earlier to ¥12,075 million.

The Company's non-consolidated utilization ratio (overall) maintained a high level of 97.5% compared with 97.8% in the previous fiscal year. The ratio slightly declined from the previous fiscal year because more newly graduated engineers joined the Company in April 2018 than in April 2017. Working hours declined compared with the previous fiscal year to 8.62 hours/day (8.70 hours/day for the previous fiscal year) after overtime hours work decreased primarily due to the work-life balance initiatives being carried out by major corporations.

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

The Recruiting & Placement Business for Engineers segment operates job placement business for engineers.

Net sales in the Recruiting & Placement Business for Engineers for the fiscal year under review increased ¥100 million, or 6.1%, from a year earlier to ¥1,762 million, and operating profit increased ¥15 million, or 2.8%, to ¥560 million.

MEITEC NEXT CORPORATION achieved sales and profit growth 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, 2019) increased ¥3,681 million from March 31, 2018 to ¥74,615 million. This reflected an increase of ¥3,563 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, 2019 increased ¥1,449 million from March 31, 2018 to ¥32,244 million. This reflected an increase of ¥750 million in current liabilities from the previous fiscal year-end. The increase in current liabilities was mainly due to an increase in income provision for bonuses.

### (2)-3. Net Assets

Total consolidated net assets as of March 31, 2019 increased ¥2,231 million from March 31, 2018 to ¥42,371 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, 2019 increased by ¥3,298 million compared to the previous fiscal year-end to ¥45,052 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 ¥683 million compared to the previous fiscal year to ¥10,273 million.

The cash gained was primarily due to profit before income taxes.

### (3)-2 Cash Flows from Investing Activities

Cash used in investing activities decreased by ¥223 million compared to the previous fiscal year to ¥240 million.

Major uses of cash included ¥135 million in purchase of property, plant and equipment and ¥72 million in purchase of intangible assets.

### (3)-3 Cash Flows from Financing Activities

Cash used in financing activities increase by ¥734 million compared to the previous fiscal year to ¥6,734 million.

Major uses of cash included ¥1,505 million in purchase of treasury shares and ¥5,228 million in cash dividends paid.

## (4) Future Outlook

On the premise that the strong order environment will continue, we expect that the number of engineers will increase due to aggressive recruiting activities. We have announced the consolidated earnings forecast for the fiscal year ending March 31, 2020.

For details of these forecasts, please refer to the IR presentation materials of the Fiscal Year ended March 31, 2019 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, 2018	Fiscal year ended March 31, 2019
<b>Assets</b>		
Current assets		
Cash and deposits	41,753	45,052
Notes and accounts receivable - trade	13,816	13,884
Work in process	180	170
Other	723	931
Allowance for doubtful accounts	—	(2)
Total current assets	56,473	60,036
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	3,690	3,601
Tools, furniture and fixtures, net	221	176
Land	1,487	1,487
Other, net	—	136
Total property, plant and equipment	5,399	5,402
Intangible assets		
Software	917	699
Other	12	43
Total intangible assets	929	742
Investments and other assets		
Investment securities	47	27
Deferred tax assets	7,331	7,640
Other	767	779
Allowance for doubtful accounts	(14)	(14)
Total investments and other assets	8,131	8,433
Total non-current assets	14,460	14,579
Total assets	70,934	74,615

(Millions of yen)

	Fiscal year ended March 31, 2018	Fiscal year ended March 31, 2019
<b>Liabilities</b>		
Current liabilities		
Accrued expenses	3,327	3,363
Income taxes payable	2,255	2,272
Accrued consumption taxes	1,421	1,418
Provision for bonuses for directors (and other officers)	215	233
Provision for bonuses	7,456	7,697
Provision for loss on liquidation of subsidiaries and associates	4	—
Other	1,495	1,942
Total current liabilities	16,176	16,927
Non-current liabilities		
Retirement benefit liability	14,617	15,317
Total non-current liabilities	14,617	15,317
Total liabilities	30,794	32,244
<b>Net assets</b>		
Shareholders' equity		
Capital stock	5,000	5,000
Capital surplus	11,955	9,198
Retained earnings	31,873	35,469
Treasury shares	(6,750)	(5,495)
Total shareholders' equity	42,078	44,173
Accumulated other comprehensive income		
Revaluation reserve for land	(662)	(662)
Foreign currency translation adjustment	9	—
Remeasurements of defined benefit plans	(1,288)	(1,139)
Total accumulated other comprehensive income	(1,942)	(1,802)
Non-controlling interests	2	—
Total net assets	40,139	42,371
<b>Total liabilities and net assets</b>	<b>70,934</b>	<b>74,615</b>

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

(Millions of yen)

	Fiscal year ended March 31, 2018	Fiscal year ended March 31, 2019
Net sales	93,618	97,736
Cost of sales	69,250	71,701
Gross profit	24,368	26,035
Selling, general and administrative expenses	12,910	13,399
Operating profit	11,458	12,635
Non-operating income		
Interest income	1	1
Dividend income	0	—
Gain on forfeiture of unclaimed dividends	3	3
Gain on investments in partnership	2	—
Rent income	3	3
Gain on sales of non-current assets	1	—
Reversal of allowance for doubtful accounts	0	1
Other	5	4
Total non-operating income	19	15
Non-operating expenses		
Commission expenses	4	3
Commitment fee	2	2
Other	4	1
Total non-operating expenses	11	7
Ordinary profit	11,465	12,643
Extraordinary income		
Gain on sales of investment securities	0	11
Gain on liquidation of subsidiaries and associates	—	14
Gain on reversal of asset retirement obligations	37	—
Compensation for transfer	300	—
Other	—	0
Total extraordinary income	337	26
Extraordinary losses		
Impairment loss	—	15
Loss on retirement of non-current assets	6	3
Head office transfer cost	245	—
Other	10	—
Total extraordinary losses	262	18
Profit before income taxes	11,541	12,651
Income taxes - current	4,028	4,197
Income taxes - deferred	(619)	(375)
Total income taxes	3,409	3,822
Profit	8,132	8,829
Profit attributable to owners of parent	8,132	8,829

(Consolidated Statements of Comprehensive Income)

(Millions of yen)

	Fiscal year ended March 31, 2018	Fiscal year ended March 31, 2019
Profit	8,132	8,829
Other comprehensive income		
Foreign currency translation adjustment	(0)	(4)
Remeasurements of defined benefit plans, net of tax	177	149
Total other comprehensive income	177	145
Comprehensive income	8,309	8,974
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	8,309	8,969
Comprehensive income attributable to non-controlling interests	0	5

(3) Consolidated Statements of Changes in Equity  
Fiscal year ended March 31, 2018

(Millions of Yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of current period	5,000	11,955	28,236	(5,220)	39,970
Changes of items during period					
Dividends of surplus			(4,494)		(4,494)
Profit attributable to owners of parent			8,132		8,132
Purchase of treasury shares				(1,529)	(1,529)
Net changes of items other than shareholders' equity					
Total changes of items during period	—	—	3,637	(1,529)	2,107
Balance at end of current period	5,000	11,955	31,873	(6,750)	42,078

	Accumulated other comprehensive income				Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Revaluation reserve for land	Foreign currency translation adjustment	Remeasurements of defined benefit plans		
Balance at beginning of current period	(662)	9	(1,466)	(2,119)	2	37,854
Changes of items during period						
Dividends of surplus						(4,494)
Profit attributable to owners of parent						8,132
Purchase of treasury shares						(1,529)
Net changes of items other than shareholders' equity	—	(0)	177	177	0	177
Total changes of items during period	—	(0)	177	177	0	2,285
Balance at end of current period	(662)	9	(1,288)	(1,942)	2	40,139



Fiscal year ended March 31, 2019

(Millions of Yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of current period	5,000	11,955	31,873	(6,750)	42,078
Changes of items during period					
Dividends of surplus			(5,233)		(5,233)
Profit attributable to owners of parent			8,829		8,829
Purchase of treasury shares				(1,502)	(1,502)
Disposal of treasury shares		0		0	0
Retirement of treasury shares		(2,757)		2,757	—
Net changes of items other than shareholders' equity					
Total changes of items during period	—	(2,757)	3,596	1,255	2,094
Balance at end of current period	5,000	9,198	35,469	(5,495)	44,173

	Accumulated other comprehensive income				Non-controlling interests	Total net assets
	Revaluation reserve for land	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income		
Balance at beginning of current period	(662)	9	(1,288)	(1,942)	2	40,139
Changes of items during period						
Dividends of surplus						(5,233)
Profit attributable to owners of parent						8,829
Purchase of treasury shares						(1,502)
Disposal of treasury shares						0
Retirement of treasury shares						—
Net changes of items other than shareholders' equity	—	(9)	149	140	(2)	137
Total changes of items during period	—	(9)	149	140	(2)	2,231
Balance at end of current period	(662)	—	(1,139)	(1,802)	—	42,371

## (4) Consolidated Statements of Cash Flows

(Millions of yen)

	Fiscal year ended March 31, 2018	Fiscal year ended March 31, 2019
<b>Cash flows from operating activities</b>		
Profit before income taxes	11,541	12,651
Depreciation	591	534
Impairment loss	—	15
Increase (decrease) in allowance for doubtful accounts	0	1
Increase (decrease) in provision for bonuses for directors (and other officers)	8	18
Increase (decrease) in provision for bonuses	845	241
Increase (decrease) in provision for loss on liquidation of subsidiaries and associates	(29)	(4)
Increase (decrease) in retirement benefit liability	1,012	914
Interest and dividend income	(1)	(1)
Loss (gain) on sales of investment securities	(0)	(11)
Loss on retirement of non-current assets	6	3
Compensation for removal	(300)	—
Loss (gain) on liquidation of subsidiaries and associates	—	(14)
Gain on reversal of asset retirement obligations	(37)	—
Head office transfer cost	245	—
Decrease (increase) in notes and accounts receivable - trade	(415)	(68)
Decrease (increase) in inventories	(4)	9
Decrease (increase) in other current assets	661	(208)
Increase (decrease) in accrued expenses	227	35
Increase (decrease) in accrued consumption taxes	190	(2)
Increase (decrease) in other current liabilities	331	304
Other, net	76	57
Subtotal	14,950	14,474
Interest and dividend income received	1	1
Income taxes paid	(4,236)	(4,225)
Income taxes refund	42	22
Proceeds from compensation for removal	300	—
Payments for head office transfer cost	(101)	—
Net cash provided by (used in) operating activities	10,957	10,273
<b>Cash flows from investing activities</b>		
Purchase of property, plant and equipment	(202)	(135)
Proceeds from sales of property, plant and equipment	2	—
Purchase of intangible assets	(179)	(72)
Payments for retirement of non-current assets	(0)	(0)
Decrease (increase) in other investments	(98)	(64)
Other, net	15	31
Net cash provided by (used in) investing activities	(464)	(240)
<b>Cash flows from financing activities</b>		
Purchase of treasury shares	(1,505)	(1,505)
Cash dividends paid	(4,493)	(5,228)
Other, net	—	(0)
Net cash provided by (used in) financing activities	(5,999)	(6,734)
Effect of exchange rate change on cash and cash equivalents	(0)	(0)
Net increase (decrease) in cash and cash equivalents	4,493	3,298
Cash and cash equivalents at beginning of period	37,259	41,753
Cash and cash equivalents at end of period	41,753	45,052