



Consolidated Financial Report For the Three Months Ended June 30, 2018

July 31, 2018

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, 2018 to June 30, 2018)

(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, 2018	23,755	4.4	3,004	9.1	3,006	9.2	1,899	12.0
Three months ended June 30, 2017	22,763	4.3	2,753	14.9	2,752	14.8	1,695	9.8

(Note) Comprehensive Income; Three months ended June 30, 2018: 1,962 million yen [11.8%]
Three months ended June 30, 2017: 1,754 million yen [8.9%]

	Earnings per Share	Diluted Net Income per Share
	Yen	Yen
Three months ended June 30, 2018	67.39	—
Three months ended June 30, 2017	59.60	—

(2) Consolidated financial position

	Total Assets	Net Assets	Equity Ratio
	Millions of Yen	Millions of Yen	%
As of June 30, 2018	67,407	39,212	58.2
As of March 31, 2018	70,934	40,139	56.6

Reference: Shareholders' Equity; as of June 30, 2018: 39,209 million yen
as of March 31, 2018: 40,136 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, 2018	—	74.50	—	102.50	177.00
FY ending March 31, 2019	—	—	—	—	—
FY ending March 31, 2019 (Forecast)	—	77.00	—	92.00	169.00

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

3. Consolidated Forecasts for Fiscal Year ending March 31, 2019

(% 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, 2018	47,600	3.8	5,500	1.0	5,500	1.0	3,600	2.1	127.72
FY ending March 31, 2019	97,000	3.6	11,600	1.2	11,600	1.2	7,800	(4.1)	276.74

(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) 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, 2018: 30,000,000
 - FY ended March 31, 2018: 30,000,000
 - ii. Number of treasury shares at the fiscal year end
 - 1st quarter ended June 30, 2018: 1,814,457
 - FY ended March 31, 2018: 1,814,423
 - iii. Average number of shares outstanding during the period
 - 1st quarter ended June 30, 2018: 28,185,558
 - 1st quarter ended June 30, 2017: 28,447,409

*** 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 and cumulative first quarter of the previous fiscal year are also shown in units of million yen.

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, 2018 to June 30, 2018, 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 a firm order environment, the number of engineers assigned to clients steadily increased.

As a result, consolidated net sales for the period under review increased ¥991 million, or 4.4%, from a year earlier to ¥23,755 million. Consolidated cost of sales rose ¥624 million, or 3.7%, from a year earlier to ¥17,426 million, chiefly because of higher labor costs due to an increase in the number of engineers as 560 new graduates joined us in April 2018 (MT: 357, MF: 203). Consolidated selling, general and administrative expenses rose ¥116 million, or 3.6%, from a year earlier to ¥3,324 million. As a result, consolidated operating profit increased ¥250 million, or 9.1%, from a year earlier to ¥3,004 million, and consolidated ordinary profit rose ¥253 million, or 9.2%, from a year earlier to ¥3,006 million.

Profit attributable to owners of parent increased ¥204 million, or 12.0%, from a year earlier to ¥1,899 million.

For details, please refer to the summary of first quarter of the Fiscal Year ended March 31, 2019 on the Company's website.

2. Consolidated Financial Statements
(1) Consolidated Balance Sheets

(Millions of Yen)

	Fiscal year ended March 31, 2018	The 1st Quarter ended Jun. 30, 2018
Assets		
Current assets		
Cash and deposits	41,753	36,506
Notes and accounts receivable - trade	13,816	13,842
Work in process	180	390
Other	723	2,343
Total current assets	56,473	53,083
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	3,690	3,649
Other, net	1,708	1,693
Total property, plant and equipment	5,399	5,342
Intangible assets		
Other	929	883
Total intangible assets	929	883
Investments and other assets		
Deferred tax assets	7,331	7,303
Other	815	809
Allowance for doubtful accounts	(14)	(15)
Total investments and other assets	8,131	8,097
Total non-current assets	14,460	14,323
Total assets	70,934	67,407
Liabilities		
Current liabilities		
Income taxes payable	2,255	1,040
Provision for directors' bonuses	215	49
Provision for bonuses	7,456	3,435
Provision for loss on liquidation of subsidiaries and associates	4	4
Other	6,244	8,987
Total current liabilities	16,176	13,516
Non-current liabilities		
Net defined benefit liability	14,617	14,677
Total non-current liabilities	14,617	14,677
Total liabilities	30,794	28,194
Net assets		
Shareholders' equity		
Capital stock	5,000	5,000
Capital surplus	11,955	11,955
Retained earnings	31,873	30,883
Treasury shares	(6,750)	(6,750)
Total shareholders' equity	42,078	41,089
Accumulated other comprehensive income		
Revaluation reserve for land	(662)	(662)
Foreign currency translation adjustment	9	9
Remeasurements of defined benefit plans	(1,288)	(1,226)
Total accumulated other comprehensive income	(1,942)	(1,879)
Non-controlling interests	2	2
Total net assets	40,139	39,212
Total liabilities and net assets	70,934	67,407

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

(Millions of Yen)

	The 1st Quarter ended Jun. 30, 2017	The 1st Quarter ended Jun. 30, 2018
Net sales	22,763	23,755
Cost of sales	16,801	17,426
Gross profit	5,961	6,328
Selling, general and administrative expenses	3,208	3,324
Operating profit	2,753	3,004
Non-operating income		
Interest income	0	0
Rent income	0	0
Other	1	1
Total non-operating income	3	2
Non-operating expenses		
Commitment fee	0	0
Provision of allowance for doubtful accounts	2	—
Other	0	0
Total non-operating expenses	3	0
Ordinary profit	2,752	3,006
Extraordinary losses		
Loss on retirement of non-current assets	0	1
Loss on valuation of investment securities	10	—
Other	0	—
Total extraordinary losses	10	1
Profit before income taxes	2,742	3,005
Income taxes	1,055	1,105
Profit	1,687	1,899
Loss attributable to non-controlling interests	(7)	—
Profit attributable to owners of parent	1,695	1,899

(Consolidated Statements of Comprehensive Income)

(Millions of Yen)

	The 1st Quarter ended Jun. 30, 2017	The 1st Quarter ended Jun. 30, 2018
Profit	1,687	1,899
Other comprehensive income		
Foreign currency translation adjustment	(0)	(0)
Remeasurements of defined benefit plans, net of tax	67	62
Total other comprehensive income	67	62
Comprehensive income	1,754	1,962
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	1,757	1,962
Comprehensive income attributable to non-controlling interests	(2)	(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, 2018.