



Consolidated Financial Report For the Three Months Ended June 30, 2017

July 27, 2017

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, 2017 to June 30, 2017)

(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, 2017	22,763	4.3	2,753	14.9	2,752	14.8	1,695	9.8
Three months ended June 30, 2016	21,822	5.0	2,397	4.7	2,398	4.9	1,543	10.0

(Note) Comprehensive Income; Three months ended June 30, 2017: 1,754 million yen [8.9%]
Three months ended June 30, 2016: 1,611 million yen [10.3%]

	Earnings per Share	Diluted Net Income per Share
	Yen	Yen
Three months ended June 30, 2017	59.60	—
Three months ended June 30, 2016	52.63	—

(2) Consolidated financial position

	Total Assets	Net Assets	Equity Ratio
	Millions of Yen	Millions of Yen	%
As of June 30, 2017	63,106	37,232	59.0
As of March 31, 2017	66,377	37,854	57.0

Reference: Shareholders' Equity; as of June 30, 2017: 37,232 million yen
as of March 31, 2017: 37,851 million yen

2. Dividends

	Annual Dividends per Share				
	1st Quarter	2nd Quarter	3rd Quarter	Year-end	Total
FY ended March 31, 2017	—	68.00	—	83.50	151.50
FY ending March 31, 2018	—	—	—	—	—
FY ending March 31, 2018 (Forecast)	—	65.50	—	82.50	148.00

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

3. Consolidated Forecasts for Fiscal Year ending March 31, 2018

(% 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, 2017	45,000	2.0	4,800	(5.3)	4,800	(5.4)	3,100	(10.6)	108.97
FY ending March 31, 2018	92,000	2.2	10,400	(6.7)	10,400	(6.7)	7,000	(11.8)	246.07

(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, 2017: | 30,000,000 |
| FY ended March 31, 2017: | 30,000,000 |
| ii. Number of treasury shares at the fiscal year end | |
| 1st quarter ended June 30, 2017: | 1,552,770 |
| FY ended March 31, 2017: | 1,552,542 |
| iii. Average number of shares outstanding during the period | |
| 1st quarter ended June 30, 2017: | 28,447,409 |
| 1st quarter ended June 30, 2016: | 29,335,729 |

*** Quarterly financial results report is not subject to quarterly review**

*** 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, 2017 to June 30, 2017, 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, although sales were negatively impacted by about ¥400 million due to the sale of the subsidiary APOLLO GIKEN CO., LTD. in the previous fiscal year, consolidated net sales for the period under review increased ¥940 million, or 4.3%, from a year earlier to ¥22,763 million. Consolidated cost of sales rose ¥515 million, or 3.2%, from a year earlier to ¥16,801 million, chiefly because of higher labor costs due to an increase in the number of engineers as 521 new graduates joined us in April 2017 (MT: 308, MF: 213). Consolidated selling, general and administrative expenses rose ¥69 million, or 2.2%, from a year earlier to ¥3,208 million. As a result, consolidated operating profit increased ¥356 million, or 14.9%, from a year earlier to ¥2,753 million, and consolidated ordinary profit rose ¥354 million, or 14.8%, from a year earlier to ¥2,752 million.

Profit attributable to owners of parent increased ¥151 million, or 9.8%, from a year earlier to ¥1,695 million.

For details, please refer to the summary of first quarter of the Fiscal Year ended March 31, 2018 on the Company's website.

2. Consolidated Financial Statements
(1) Consolidated Balance Sheets

(Thousands of Yen)

	Fiscal year ended March 31, 2017	The 1st Quarter ended Jun. 30, 2017
Assets		
Current assets		
Cash and deposits	37,259,635	34,494,725
Notes and accounts receivable - trade	13,400,482	13,371,925
Work in process	175,411	366,122
Other	3,907,168	3,310,529
Total current assets	54,742,698	51,543,303
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	3,842,626	3,805,119
Other, net	1,710,179	1,714,539
Total property, plant and equipment	5,552,805	5,519,659
Intangible assets		
Other	1,126,010	1,127,178
Total intangible assets	1,126,010	1,127,178
Investments and other assets		
Other	4,982,003	4,944,779
Allowance for doubtful accounts	(26,297)	(27,998)
Total investments and other assets	4,955,705	4,916,780
Total non-current assets	11,634,521	11,563,618
Total assets	66,377,219	63,106,921
Liabilities		
Current liabilities		
Income taxes payable	2,335,880	932,966
Provision for directors' bonuses	206,410	44,566
Provision for bonuses	6,608,299	3,195,040
Provision for loss on liquidation of subsidiaries and associates	34,078	8,030
Other	5,477,841	7,691,145
Total current liabilities	14,662,511	11,871,748
Non-current liabilities		
Net defined benefit liability	13,860,588	14,002,672
Total non-current liabilities	13,860,588	14,002,672
Total liabilities	28,523,099	25,874,421
Net assets		
Shareholders' equity		
Capital stock	5,000,000	5,000,000
Capital surplus	11,955,724	11,955,724
Retained earnings	28,236,076	27,556,150
Treasury shares	(5,220,876)	(5,221,951)
Total shareholders' equity	39,970,924	39,289,923
Accumulated other comprehensive income		
Revaluation reserve for land	(662,440)	(662,440)
Foreign currency translation adjustment	9,315	3,721
Remeasurements of defined benefit plans	(1,466,541)	(1,398,703)
Total accumulated other comprehensive income	(2,119,667)	(2,057,423)
Non-controlling interests	2,863	—
Total net assets	37,854,120	37,232,499
Total liabilities and net assets	66,377,219	63,106,921

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

(Thousands of Yen)

	The 1st Quarter ended Jun. 30, 2016	The 1st Quarter ended Jun. 30, 2017
Net sales	21,822,959	22,763,708
Cost of sales	16,286,267	16,801,716
Gross profit	5,536,691	5,961,992
Selling, general and administrative expenses	3,139,306	3,208,499
Operating profit	2,397,385	2,753,492
Non-operating income		
Interest income	738	391
Rent income	997	996
Other	2,056	1,760
Total non-operating income	3,792	3,148
Non-operating expenses		
Commitment fee	752	683
Commission fee	1,888	—
Provision of allowance for doubtful accounts	—	2,631
Other	115	474
Total non-operating expenses	2,756	3,789
Ordinary profit	2,398,421	2,752,851
Extraordinary losses		
Loss on retirement of non-current assets	2,865	255
Loss on valuation of investment securities	—	10,059
Other	92	1
Total extraordinary losses	2,957	10,317
Profit before income taxes	2,395,463	2,742,534
Income taxes	851,503	1,055,068
Profit	1,543,960	1,687,465
Profit (loss) attributable to non-controlling interests	100	(7,971)
Profit attributable to owners of parent	1,543,859	1,695,437

(Consolidated Statements of Comprehensive Income)

(Thousands of Yen)

	The 1st Quarter ended Jun. 30, 2016	The 1st Quarter ended Jun. 30, 2017
Profit	1,543,960	1,687,465
Other comprehensive income		
Foreign currency translation adjustment	(2,729)	(486)
Remeasurements of defined benefit plans, net of tax	69,904	67,837
Total other comprehensive income	67,174	67,351
Comprehensive income	1,611,135	1,754,817
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	1,611,034	1,757,681
Comprehensive income attributable to non-controlling interests	100	(2,863)

(3) Notes to Quaterly Financial Statements

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

(3)-2 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, 2017.