



Consolidated Financial Report For the Fiscal Year Ended March 31, 2018

May 10, 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 Fiscal Year Ended March 31, 2018 (April 1, 2017 to March 31, 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	%
FY ended March 31, 2018	93,618	4.0	11,458	2.8	11,465	2.9	8,132	2.5
FY ended March 31, 2017	89,979	2.4	11,142	2.5	11,145	2.8	7,937	(1.8)

(Note) Comprehensive Income; FY ended March 31, 2018: 8,309 million yen [0.7 %]
 FY ended March 31, 2017: 8,248 million yen [6.0 %]

	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, 2018	286.64	—	20.9	16.7	12.2
FY ended March 31, 2017	274.32	—	21.1	17.0	12.4

(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, 2018	70,934	40,139	56.6	1,424.01
As of March 31, 2017	66,377	37,854	57.0	1,330.57

Reference: Shareholders' Equity; as of March 31, 2018: 40,136 million yen
 as of March 31, 2017: 37,851 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, 2018	10,957	(464)	(5,999)	41,753
FY ended March 31, 2017	10,186	(325)	(8,011)	37,259

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, 2017	—	68.00	—	83.50	151.50	4,343	55.2	11.6
FY ended March 31, 2018	—	74.50	—	102.50	177.00	5,008	61.8	12.9
FY ending March 31, 2019 (Forecast)	—	77.00	—	92.00	169.00		61.1	

3. Consolidated Forecasts for the 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		Net Income 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

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, 2018:	30,000,000
FY ended March 31, 2017:	30,000,000
 - ii. Number of treasury shares at the fiscal year end

FY ended March 31, 2018:	1,814,423
FY ended March 31, 2017:	1,552,542
 - iii. Average number of shares outstanding during the period

FY ended March 31, 2018:	28,370,279
FY ended March 31, 2017:	28,934,753

* 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. For cautionary notes concerning assumptions for earnings forecasts and use of earning forecasts, please refer to “(4) Future Outlook” under “1. Overview of Operating Results and Others”

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, 2017 to March 31, 2018), 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, although sales were negatively impacted by about ¥1,000 million due to the sale of a subsidiary conducted in the previous fiscal year, consolidated net sales for the fiscal year under review increased ¥3,639 million, or 4.0%, from a year earlier to ¥93,618 million. Consolidated cost of sales rose ¥2,833 million, or 4.3%, from a year earlier to ¥69,250 million, chiefly because of higher labor costs due to an increase in the number of engineers. Consolidated selling, general and administrative expenses rose ¥491 million, or 4.0%, from a year earlier to ¥12,910 million. As a result, consolidated operating profit increased ¥315 million, or 2.8%, from a year earlier to ¥11,458 million, and consolidated ordinary profit rose ¥320 million, or 2.9%, from a year earlier to ¥11,465 million. Profit attributable to owners of parent increased ¥194 million, or 2.5%, from a year earlier to ¥8,132 million.

For details, please refer to the IR presentation materials of the Fiscal Year ended March 31, 2018 on the Company's website.

Operating results by business segment were as follows.

Effective from the fiscal year under review, the name of the business segment previously known as "Temporary Staffing Business" has been changed to "Engineering Solutions Business," and the name of the business segment previously known as "Recruiting & Placement Business" has been changed to "Recruiting & Placement Business for Engineers."

(1)-1. Engineering Solutions Business

Net sales in the Engineering Solutions Business segment for the fiscal year under review increased ¥4,537 million, or 5.2%, from a year earlier to ¥92,056 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 ¥251 million, or 2.4%, from a year earlier to ¥10,912 million.

The Company's non-consolidated utilization ratio (overall) increased to 97.8% compared with 96.7% in the previous fiscal year. Working hours declined compared with the previous fiscal year to 8.70 hours/day (8.78 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 ¥20 million, or 1.2%, from a year earlier to ¥1,662 million, and operating profit increased ¥16 million, or 3.1%, to ¥545 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, 2018) increased ¥4,557 million from March 31, 2017 to ¥70,934 million. This reflected an increase of ¥4,582 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, 2018 increased ¥2,271 million from March 31, 2017 to ¥30,794 million. This reflected an increase of ¥1,514 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, 2018 increased ¥2,285 million from March 31, 2017 to ¥40,139 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, 2018 increased by ¥4,493 million compared to the previous fiscal year-end to ¥41,753 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 increased by ¥770 million compared to the previous fiscal year to ¥10,957 million.

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

(3)-2 Cash Flows from Investing Activities

Cash used in investing activities increased by ¥138 million compared to the previous fiscal year to ¥464 million.

Major uses of cash included ¥202 million in purchase of property, plant and equipment and ¥179 million in purchase of intangible assets.

(3)-3 Cash Flows from Financing Activities

Cash used in financing activities decreased by ¥2,012 million compared to the previous fiscal year to ¥5,999 million.

Major uses of cash included ¥1,505 million in purchase of treasury shares and ¥4,493 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, 2019.

For details of these forecasts, please refer to the IR presentation materials of the Fiscal Year ended March 31, 2018 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.

3. Consolidated Financial Statements
(1) Consolidated Balance Sheets

(Thousands of Yen)

	Fiscal year ended March 31, 2017	Fiscal year ended March 31, 2018
Assets		
Current assets		
Cash and deposits	37,259,635	41,753,458
Notes and accounts receivable - trade	13,400,482	13,816,467
Work in process	175,411	180,238
Deferred tax assets	2,553,343	2,851,960
Other	1,353,825	723,303
Total current assets	54,742,698	59,325,427
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	3,842,626	3,690,765
Tools, furniture and fixtures, net	198,654	221,245
Land	1,487,374	1,487,374
Other, net	24,150	—
Total property, plant and equipment	5,552,805	5,399,385
Intangible assets		
Software	363,700	917,585
Other	762,309	12,054
Total intangible assets	1,126,010	929,639
Investments and other assets		
Investment securities	70,583	47,721
Deferred tax assets	4,236,315	4,479,371
Other	675,103	767,635
Allowance for doubtful accounts	(26,297)	(14,911)
Total investments and other assets	4,955,705	5,279,816
Total non-current assets	11,634,521	11,608,841
Total assets	66,377,219	70,934,269

(Thousands of Yen)

	Fiscal year ended March 31, 2017	Fiscal year ended March 31, 2018
Liabilities		
Current liabilities		
Accrued expenses	3,032,949	3,327,971
Income taxes payable	2,335,880	2,255,797
Accrued consumption taxes	1,231,268	1,421,523
Provision for directors' bonuses	206,410	215,316
Provision for bonuses	6,608,299	7,456,248
Provision for loss on liquidation of subsidiaries and associates	34,078	4,812
Other	1,213,624	1,495,154
Total current liabilities	14,662,511	16,176,824
Non-current liabilities		
Net defined benefit liability	13,860,588	14,617,901
Total non-current liabilities	13,860,588	14,617,901
Total liabilities	28,523,099	30,794,726
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	31,873,438
Treasury shares	(5,220,876)	(6,750,331)
Total shareholders' equity	39,970,924	42,078,831
Accumulated other comprehensive income		
Revaluation reserve for land	(662,440)	(662,440)
Foreign currency translation adjustment	9,315	9,155
Remeasurements of defined benefit plans	(1,466,541)	(1,288,885)
Total accumulated other comprehensive income	(2,119,667)	(1,942,170)
Non-controlling interests	2,863	2,882
Total net assets	37,854,120	40,139,543
Total liabilities and net assets	66,377,219	70,934,269

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

(Thousands of Yen)

	Fiscal year ended March 31, 2017	Fiscal year ended March 31, 2018
Net sales	89,979,069	93,618,603
Cost of sales	66,417,317	69,250,512
Gross profit	23,561,751	24,368,090
Selling, general and administrative expenses	12,418,942	12,910,049
Operating profit	11,142,808	11,458,040
Non-operating income		
Interest income	2,370	1,728
Dividend income	225	225
Gain on forfeiture of unclaimed dividends	4,510	3,166
Gain on investments in partnership	50	2,520
Rent income	3,990	3,984
Gain on sales of non-current assets	462	1,983
Other	8,840	5,739
Total non-operating income	20,449	19,347
Non-operating expenses		
Commitment fee	2,904	2,541
Commission fee	11,317	4,032
Provision of allowance for doubtful accounts	1,521	2,600
Bad debts expenses	250	1,848
Other	1,810	441
Total non-operating expenses	17,804	11,464
Ordinary profit	11,145,453	11,465,924
Extraordinary income		
Gain on sales of non-current assets	4	—
Gain on sales of shares of subsidiaries and associates	28,598	—
Compensation for transfer	—	300,000
Gain on reversal of asset retirement obligations	—	37,380
Other	2,733	92
Total extraordinary income	31,337	337,472
Extraordinary losses		
Loss on retirement of non-current assets	9,424	6,173
Impairment loss	2,085	—
Provision for loss on liquidation of subsidiaries and associates	34,078	—
Head office transfer cost	—	245,815
Other	96	10,062
Total extraordinary losses	45,686	262,050
Profit before income taxes	11,131,104	11,541,345
Income taxes - current	3,534,830	4,028,974
Income taxes - deferred	(346,948)	(619,637)
Total income taxes	3,187,882	3,409,337
Profit	7,943,222	8,132,008
Profit attributable to non-controlling interests	5,726	—
Profit attributable to owners of parent	7,937,496	8,132,008

(Consolidated Statements of Comprehensive Income)

(Thousands of Yen)

	Fiscal year ended March 31, 2017	Fiscal year ended March 31, 2018
Profit	7,943,222	8,132,008
Other comprehensive income		
Foreign currency translation adjustment	(4,626)	(141)
Remeasurements of defined benefit plans, net of tax	309,519	177,656
Total other comprehensive income	304,893	177,515
Comprehensive income	8,248,115	8,309,523
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	8,247,497	8,309,505
Comprehensive income attributable to non-controlling interests	618	18

(3) Consolidated Statements of Changes in Equity
Fiscal year ended March 31, 2017

(Thousands of Yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of current period	16,825,881	4,491,970	24,645,186	(5,989,693)	39,973,345
Changes of items during period					
Dividends of surplus			(4,346,606)		(4,346,606)
Profit attributable to owners of parent			7,937,496		7,937,496
Transfer to other capital surplus from capital stock	(11,825,881)	11,825,881			—
Purchase of treasury shares				(3,602,812)	(3,602,812)
Retirement of treasury shares		(4,371,630)		4,371,630	—
Change in ownership interest of parent due to transactions with non-controlling interests		9,501			9,501
Net changes of items other than shareholders' equity					
Total changes of items during period	(11,825,881)	7,463,753	3,590,889	768,817	(2,421)
Balance at end of current period	5,000,000	11,955,724	28,236,076	(5,220,876)	39,970,924

	Accumulated other comprehensive income				Minority 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	(662,440)	8,833	(1,776,060)	(2,429,668)	61,747	37,605,424
Changes of items during period						
Dividends of surplus						(4,346,606)
Profit attributable to owners of parent						7,937,496
Transfer to other capital surplus from capital stock						—
Purchase of treasury shares						(3,602,812)
Retirement of treasury shares						—
Change in ownership interest of parent due to transactions with non-controlling interests						9,501
Net changes of items other than shareholders' equity	—	481	309,519	310,000	(58,883)	251,117
Total changes of items during period	—	481	309,519	310,000	(58,883)	248,695
Balance at end of current period	(662,440)	9,315	(1,466,541)	(2,119,667)	2,863	37,854,120

Fiscal year ended March 31, 2018

(Thousands of Yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of current period	5,000,000	11,955,724	28,236,076	(5,220,876)	39,970,924
Changes of items during period					
Dividends of surplus			(4,494,646)		(4,494,646)
Profit attributable to owners of parent			8,132,008		8,132,008
Purchase of treasury shares				(1,529,455)	(1,529,455)
Net changes of items other than shareholders' equity					
Total changes of items during period	—	—	3,637,362	(1,529,455)	2,107,907
Balance at end of current period	5,000,000	11,955,724	31,873,438	(6,750,331)	42,078,831

	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	(662,440)	9,315	(1,466,541)	(2,119,667)	2,863	37,854,120
Changes of items during period						
Dividends of surplus						(4,494,646)
Profit attributable to owners of parent						8,132,008
Purchase of treasury shares						(1,529,455)
Net changes of items other than shareholders' equity	—	(159)	177,656	177,496	18	177,515
Total changes of items during period	—	(159)	177,656	177,496	18	2,285,422
Balance at end of current period	(662,440)	9,155	(1,288,885)	(1,942,170)	2,882	40,139,543

(4) Consolidated Statements of Cash Flows

(Thousands of Yen)

	Fiscal year ended March 31, 2017	Fiscal year ended March 31, 2018
Cash flows from operating activities		
Profit before income taxes	11,131,104	11,541,345
Depreciation	461,465	591,274
Impairment loss	2,085	—
Increase (decrease) in allowance for doubtful accounts	(477)	705
Increase (decrease) in provision for directors' bonuses	37,944	8,905
Increase (decrease) in provision for bonuses	175,161	845,781
Increase (decrease) in provision for loss on liquidation of subsidiaries and associates	34,078	(29,266)
Increase (decrease) in net defined benefit liability	1,140,295	1,012,878
Decrease (increase) in net defined benefit asset	1,353	—
Interest and dividend income	(2,595)	(1,953)
Loss (gain) on sales of shares of subsidiaries and associates	(28,598)	—
Loss (gain) on sales of non-current assets	92	(1,981)
Loss on retirement of non-current assets	9,424	6,173
Compensation for removal	—	(300,000)
Gain on reversal of asset retirement obligations	—	(37,380)
Head office transfer cost	—	245,815
Decrease (increase) in notes and accounts receivable - trade	72,151	(415,984)
Decrease (increase) in inventories	(6,422)	(4,826)
Decrease (increase) in other current assets	(205,823)	661,132
Increase (decrease) in notes and accounts payable - trade	(159,303)	—
Increase (decrease) in accrued expenses	59,364	227,359
Increase (decrease) in accrued consumption taxes	(178,622)	190,287
Increase (decrease) in other current liabilities	78,266	331,699
Other, net	(19,010)	78,694
Subtotal	12,601,936	14,950,660
Interest and dividend income received	3,025	1,977
Income taxes paid	(3,220,435)	(4,236,557)
Income taxes refund	802,368	42,657
Proceeds from compensation for removal	—	300,000
Payments for head office transfer cost	—	(101,516)
Net cash provided by (used in) operating activities	10,186,894	10,957,221
Cash flows from investing activities		
Purchase of property, plant and equipment	(122,156)	(202,041)
Proceeds from sales of property, plant and equipment	10	2,074
Purchase of intangible assets	(540,755)	(179,996)
Payments for retirement of non-current assets	(2,457)	(663)
Decrease (increase) in other investments	(48,729)	(98,822)
Proceeds from sales of shares of subsidiaries resulting in change in scope of consolidation	385,962	—
Other, net	2,717	15,383
Net cash provided by (used in) investing activities	(325,408)	(464,065)
Cash flows from financing activities		
Purchase of treasury shares	(3,614,094)	(1,505,833)
Cash dividends paid	(4,343,210)	(4,493,418)
Other, net	(54,207)	—
Net cash provided by (used in) financing activities	(8,011,512)	(5,999,252)
Effect of exchange rate change on cash and cash equivalents	(4,318)	(81)
Net increase (decrease) in cash and cash equivalents	1,845,654	4,493,822
Cash and cash equivalents at beginning of period	35,413,980	37,259,635
Cash and cash equivalents at end of period	37,259,635	41,753,458