

First Quarter of Fiscal Year Ending March 31, 2021

# Financial Results

August 5, 2020

**UT Group Co.,Ltd.**

Securities Code: 2146

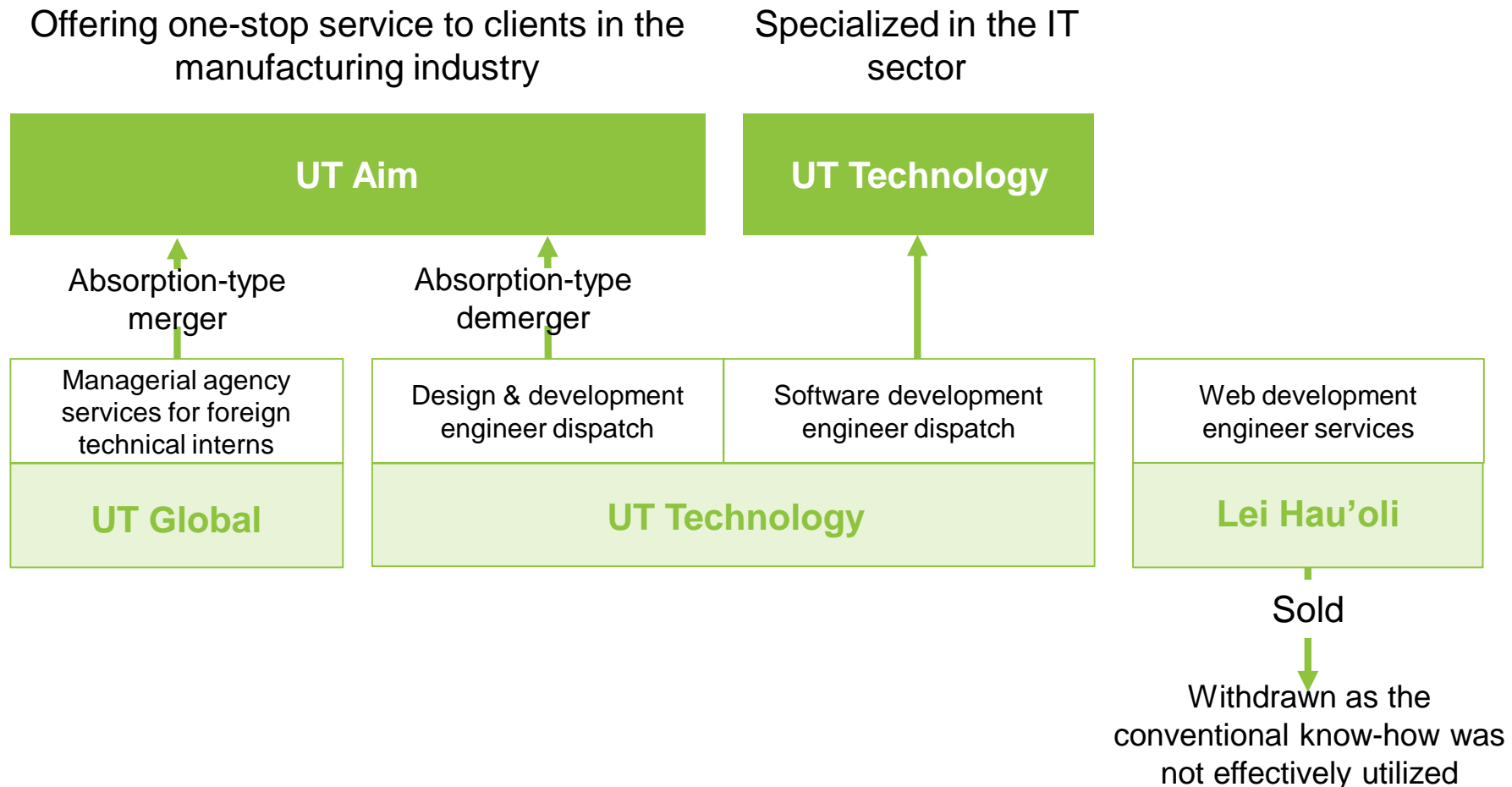
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# 1. Topic

## 1. Topic

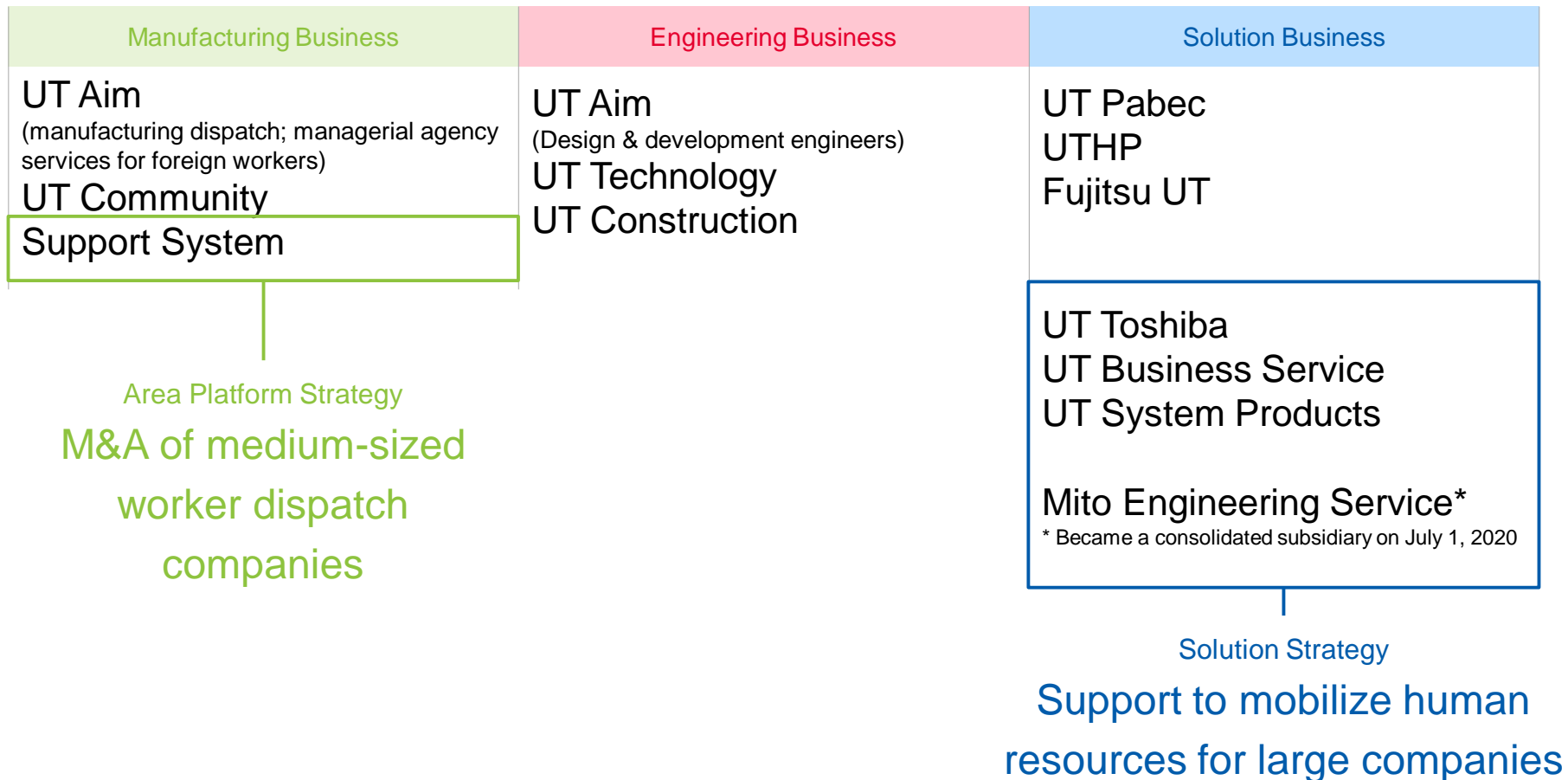
# Reorganization of Operating Companies to Enhance a Service System



**Concentrate management resources and enhance management efficiency and service quality**

## 1. Topic

# Five Companies Joined the UT Group Via M&As

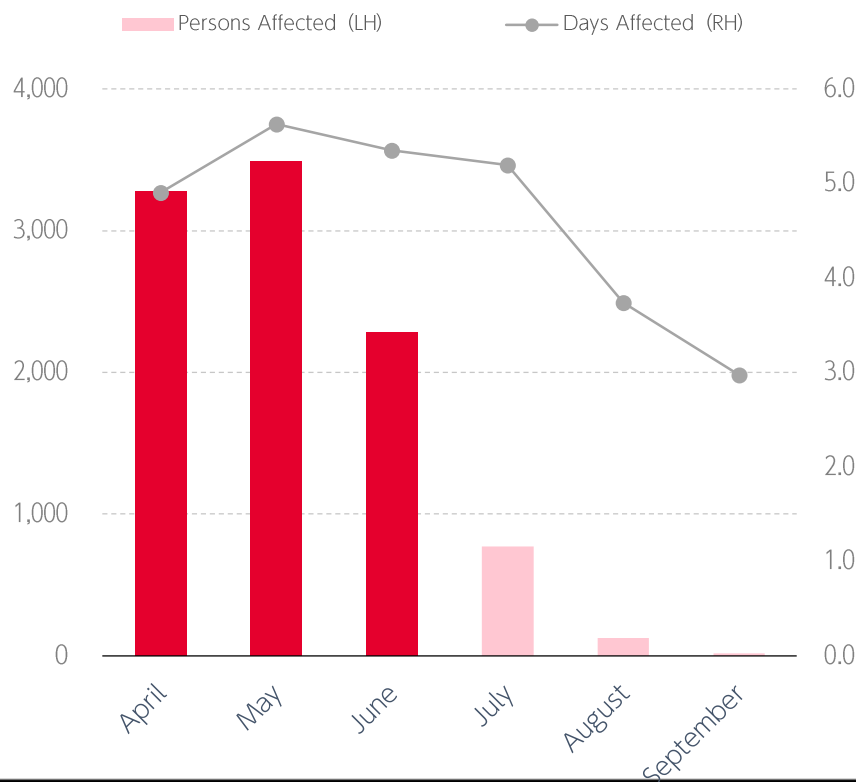


## 1. Topic

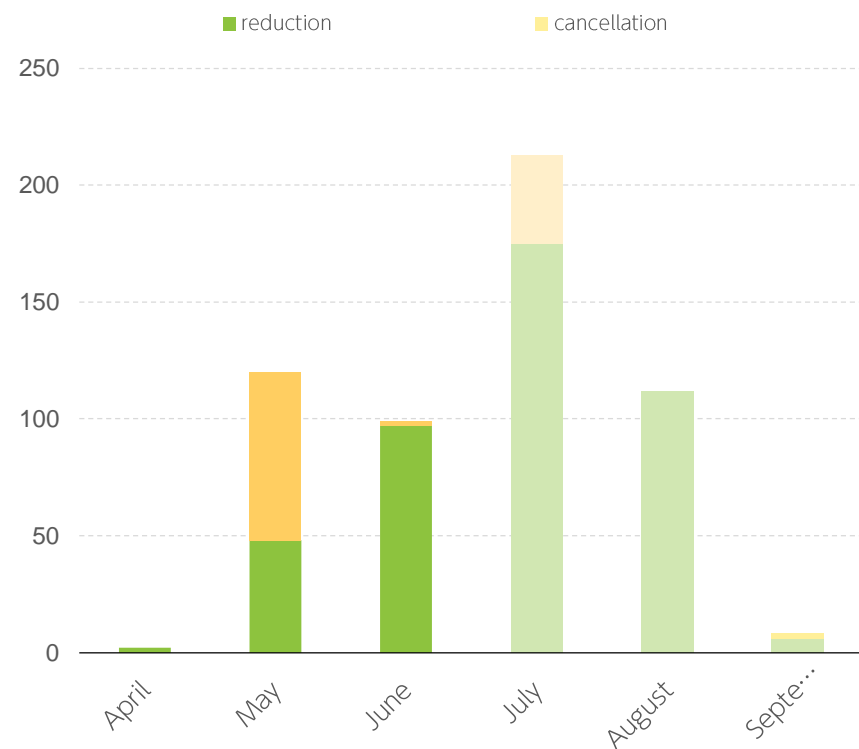
# Status of Suspended Operation, etc. Due to the COVID-19 Impact

- UT Group's lost work, driven by clients' suspension of operation, and reduction in dispatched workers and contract cancellation have been less than initially expected.

Impact of suspension and closure of operation [person/day]



Reduced/canceled dispatched workers due to clients' production adjustment [person]



## 2. Financial Highlights of First Quarter of Fiscal Year Ending March 2021

## 2. Financial Highlights of First Quarter of Fiscal Year Ending March 2021

### Business environment

The global economic slowdown, prompted by the U.S.-China trade friction since 2018, and the spread of COVID-19 greatly affected manufacturers' personnel demand

#### Semiconductors and electronic components sector

In FY3/2020, production adjustment occurred due to U.S.-China trade friction, and since the second half, 5G-related demand emerged but the spread of COVID-19 stalled makers' plan to increase workers. Demand did not pick up in the 1Q of FY3/2021.

#### Automotive-related sector

Since the second half of FY3/2020 demand for workers has been weak due to the consumption tax hike and since the 4Q the spread of COVID-19 has led to temporary suspension of factory operation. Plans to increase workers in the 1Q of FY3/2021 were canceled.

	FY3/2020				FY3/2021	
	1Q	2Q	3Q	4Q	1Q	
Macro environment	U.S.-China trade friction			The worldwide spread of COVID-19		
Semiconductors and electronic components sector	Weakening smartphone-related demand				Stagnant demand for more workers	
					Demand for 5G-related products	
Automotive-related sector	Increase in demand for automobiles prior to the consumption tax hike		Decline in demand for automobiles after the consumption tax hike		Stagnant demand for more workers	
					Suspended operation due to COVID-19	



## 2. Financial Highlights of First Quarter of Fiscal Year Ending March 2021

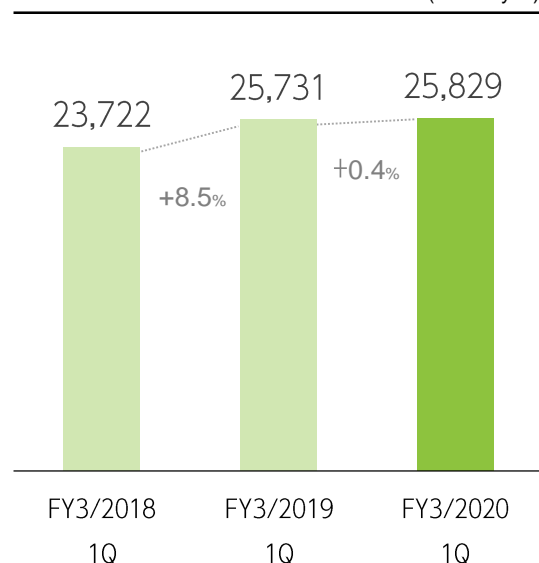
# Highlights of Consolidated Results

The spread of COVID 19 led to some clients' temporary suspension of factory operations

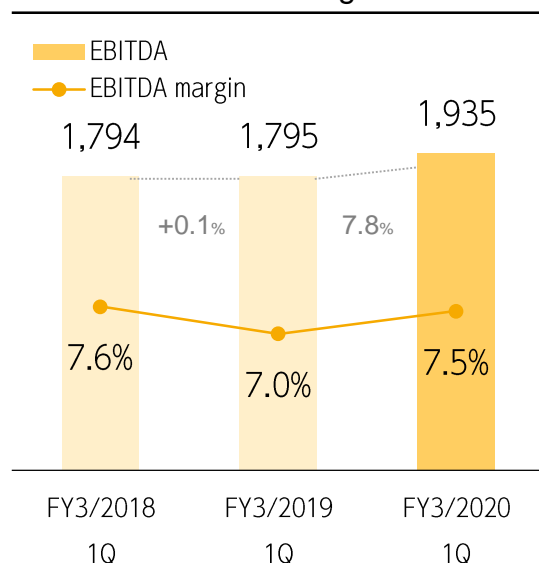
Maintained the levels of sales and profit by minimizing the impact of the suspended operations and boosted by M&A deals

Increased the number of technical employees by making four newly acquired companies consolidated subsidiaries

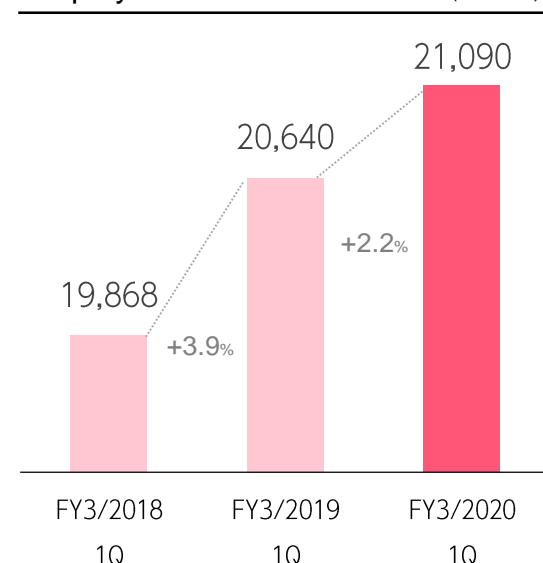
Net sales (Million yen)



EBITDA • EBITDA margin (Million yen)



Number of technical employees (Persons)



## 2. Financial Highlights of First Quarter of Fiscal Year Ending March 2021

### Summary of Statement of Income

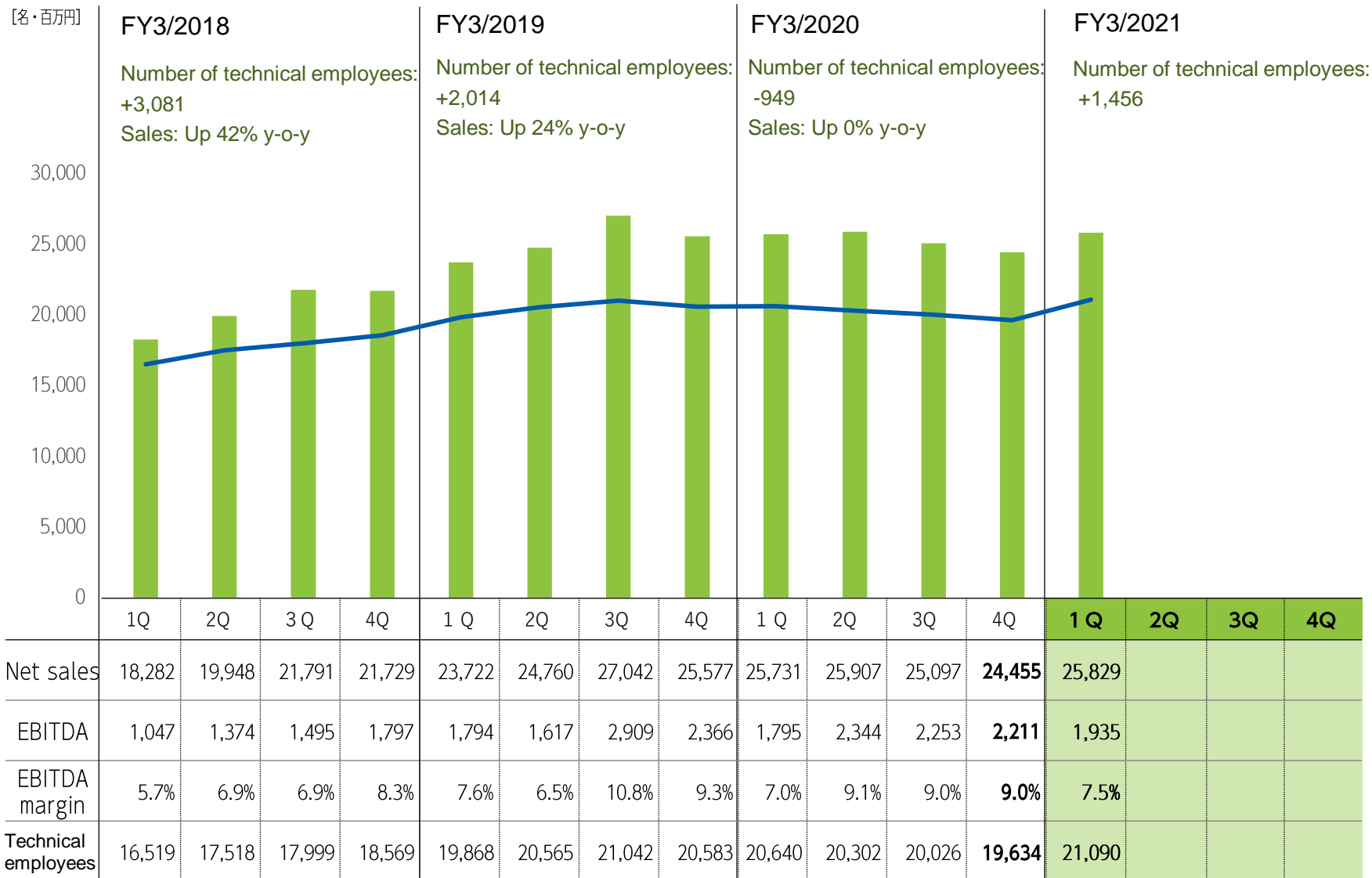
[百万円]

	1Q of FY3/2020		1Q of FY3/2021		Year-on-Year	
	Results	% to net sales	Results	% to net sales	Amount	Change
Net sales	25,731	100.0%	25,829	100.0%	+98	0.4%
Gross profit	4,748	18.5%	4,634	17.9%	△114	△2.4%
Selling, general and administrative expenses	3,090	12.0%	2,870	11.1%	△220	△7.1%
Operating profit	1,657	6.4%	1,763	6.8%	+105	6.4%
EBITDA	1,795	7.0%	1,935	7.5%	+139	7.8%
Ordinary profit	1,671	6.5%	1,782	6.9%	+111	6.7%
Net profit attributable to UT Group	302	1.2%	1,156	4.5%	+853	282.0%
Number of technical employees	20,640	—	21,090	—	450	2.2%

Note: In the first quarter of FY3/2020, extraordinary loss was recorded due to a change in the ESOP-type stock benefit trust plan.

## 2. Financial Highlights of First Quarter of Fiscal Year Ending March 2021

### Quarterly Changes in Sales and Number of Technical Employees



## 2. Financial Highlights of First Quarter of Fiscal Year Ending March 2021

### Summary of Balance Sheet

(Million yen)

	March 31, 2020		June 30, 2020		Quarter-on-Quarter	
	Results	% of total	Results	% of total	Amount	%
<b>Current assets</b>	<b>31,941</b>	<b>88.0%</b>	<b>39,343</b>	<b>88.7%</b>	<b>7,401</b>	<b>23.2%</b>
Cash and deposits	18,415	50.7%	24,440	55.1%	6,024	32.7%
Notes and accounts receivable - trade	12,342	34.0%	13,389	30.2%	1,047	8.5%
<b>Non-current assets</b>	<b>4,366</b>	<b>12.0%</b>	<b>5,001</b>	<b>11.3%</b>	<b>634</b>	<b>14.5%</b>
Property, plant and equipment	282	0.8%	313	0.7%	30	10.8%
Intangible assets	2,541	7.0%	2,856	6.4%	314	12.4%
Goodwill	1,598	4.4%	1,892	4.3%	293	18.4%
Investments and other assets	1,543	4.3%	1,831	4.1%	288	18.7%
<b>Total assets</b>	<b>36,308</b>	<b>100.0%</b>	<b>44,344</b>	<b>100.0%</b>	<b>8,035</b>	<b>22.1%</b>
<b>Current liabilities</b>	<b>14,277</b>	<b>39.3%</b>	<b>16,519</b>	<b>37.3%</b>	<b>2,242</b>	<b>15.7%</b>
Short-term borrowings and current portion of long-term debts	2,035	5.6%	2,878	6.5%	843	41.4%
<b>Long-term liabilities</b>	<b>7,008</b>	<b>19.3%</b>	<b>11,008</b>	<b>24.8%</b>	<b>4,000</b>	<b>57.1%</b>
Long-term debts	6,742	18.6%	10,386	23.4%	3,644	54.1%
<b>Net assets</b>	<b>15,023</b>	<b>41.4%</b>	<b>16,816</b>	<b>37.9%</b>	<b>1,792</b>	<b>11.9%</b>
Shareholders' equity	14,900	41.0%	16,056	36.2%	1,156	7.8%
<b>Total liabilities and net assets</b>	<b>36,308</b>	<b>100.0%</b>	<b>44,344</b>	<b>100.0%</b>	<b>8,035</b>	<b>22.1%</b>
<b>Gross debt/equity ratio</b>	<b>0.59</b>	<b>—</b>	<b>0.83</b>	<b>—</b>	<b>—</b>	<b>—</b>

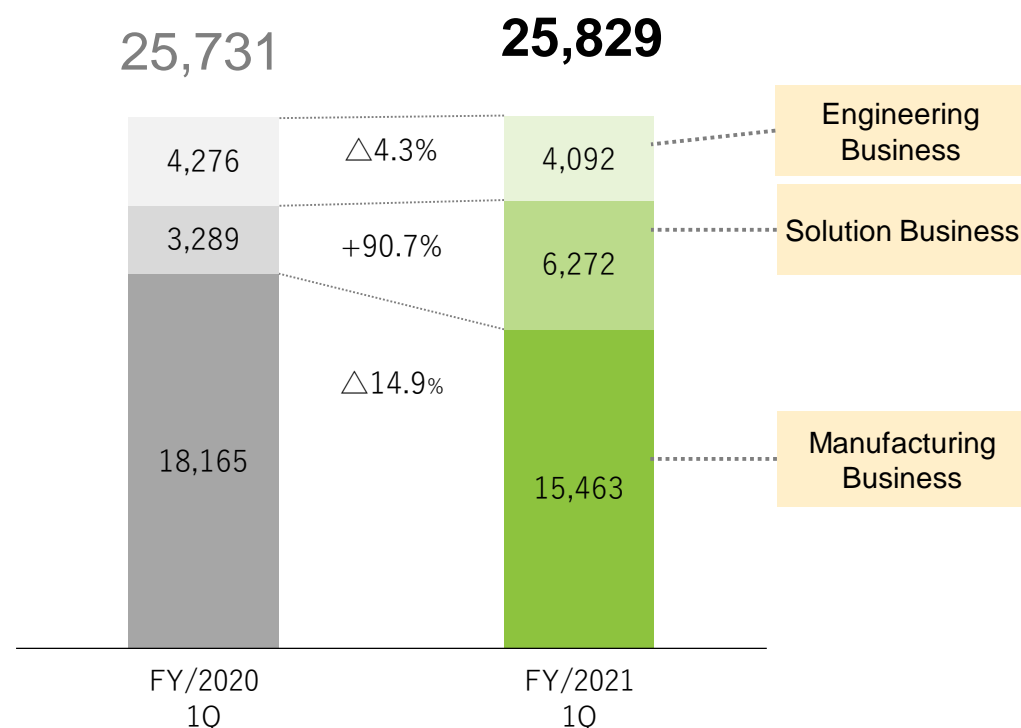
## 2. Financial Highlights of First Quarter of Fiscal Year Ending March 2021

### Results by Segment: Segment Sales and Their Ratios to Total Sales

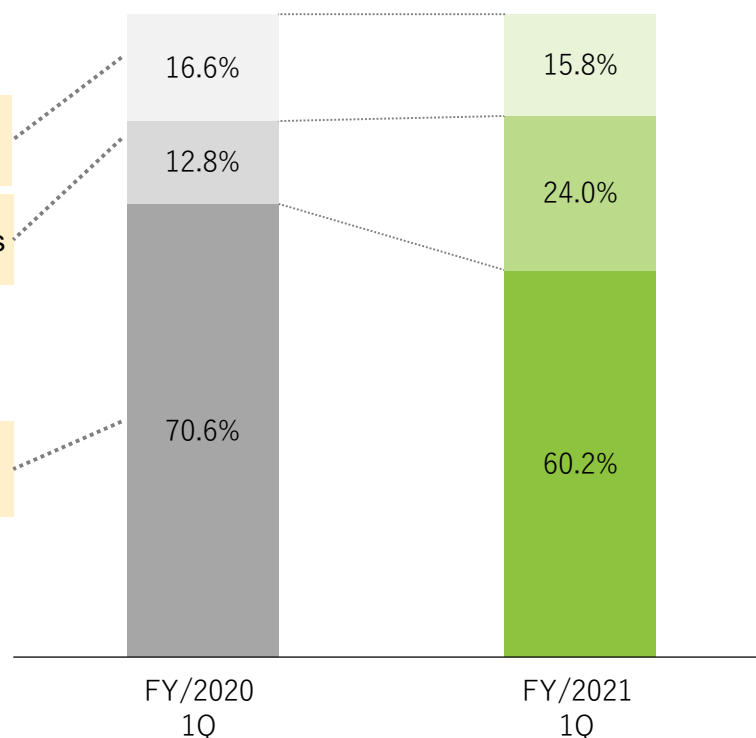
- The Manufacturing Business was greatly affected by the spread of COVID-19 and decreased sales y-o-y.
- The Solution Business increased sales thanks to contribution by three newly-consolidated Toshiba-affiliated subsidiaries.
- The Engineering Business decreased sales due to a decline in the number of technical employees and a sale of an operating company.

Net sales

(Million yen)



Sales composition

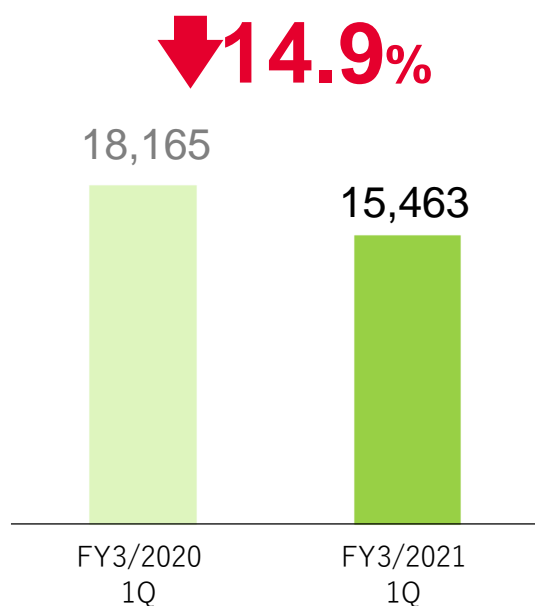


## 2. Financial Highlights of First Quarter of Fiscal Year Ending March 2021

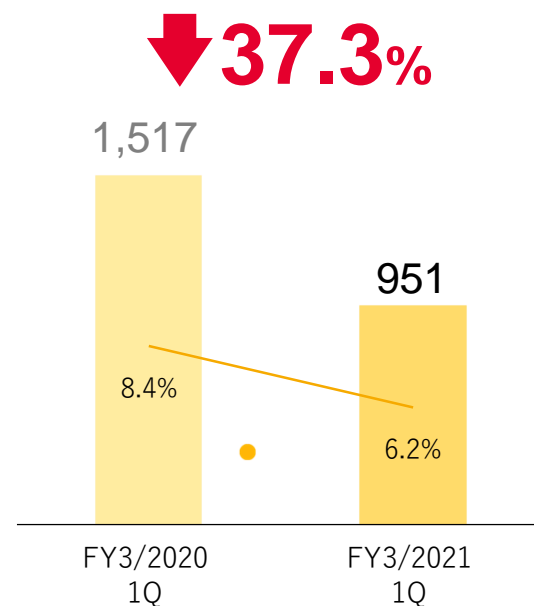
### Results by Segment: Manufacturing Business

- Due to the spread of COVID-19, the automotive-related sector experienced some clients' temporary suspension of factory operations and reduction in receiving dispatched workers, mainly caused by disruption of supply chains and weakening demand for automobiles.
- Due to the uncertain outlook over the client factories' plans to increase workers, UT Group restrained hiring activities and the number of technical employees decreased.

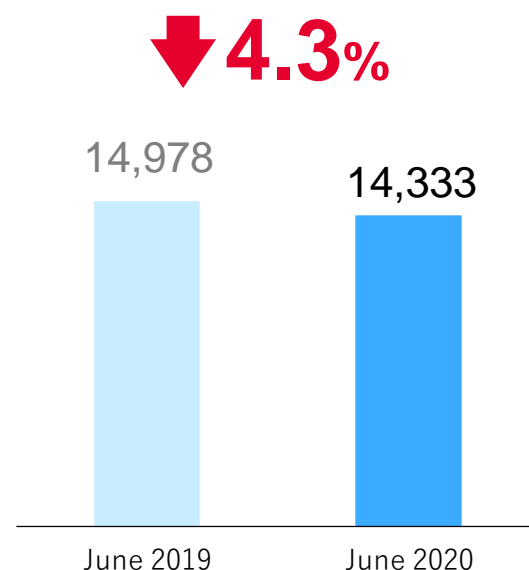
Sales (Million yen)



EBITDA • EBITDA margin (Million yen)



Technical employees (Persons)

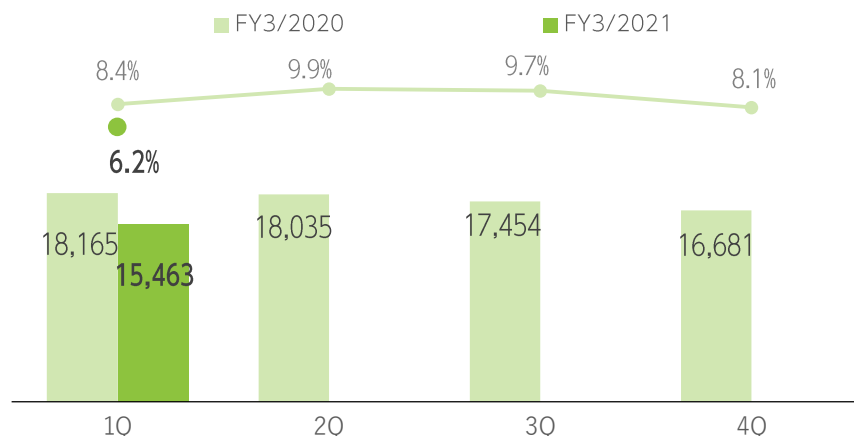


## 2. Financial Highlights of First Quarter of Fiscal Year Ending March 2021

# Results by Segment: Manufacturing Business

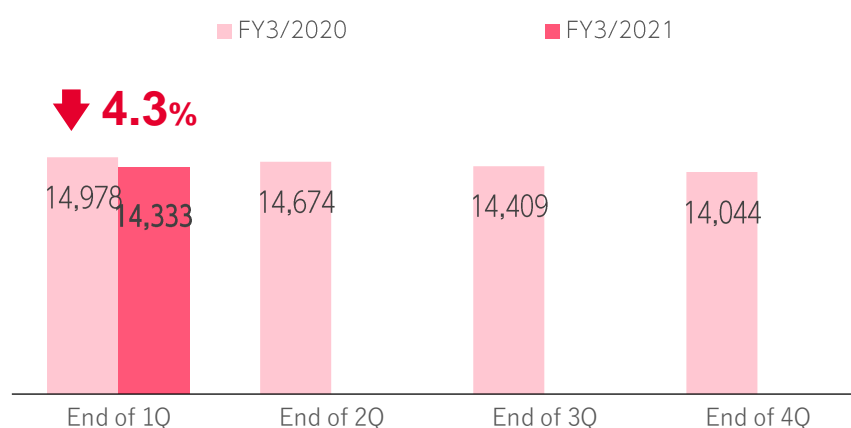
Sales and EBITDA margin

(Million yen)



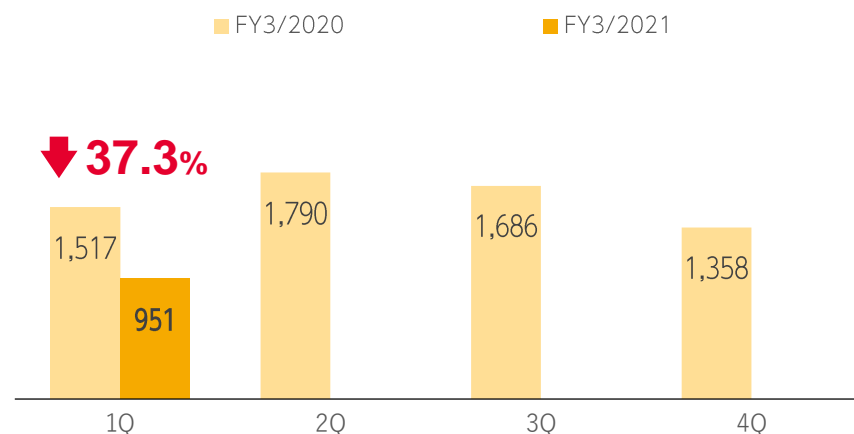
Technical employees

(Persons)



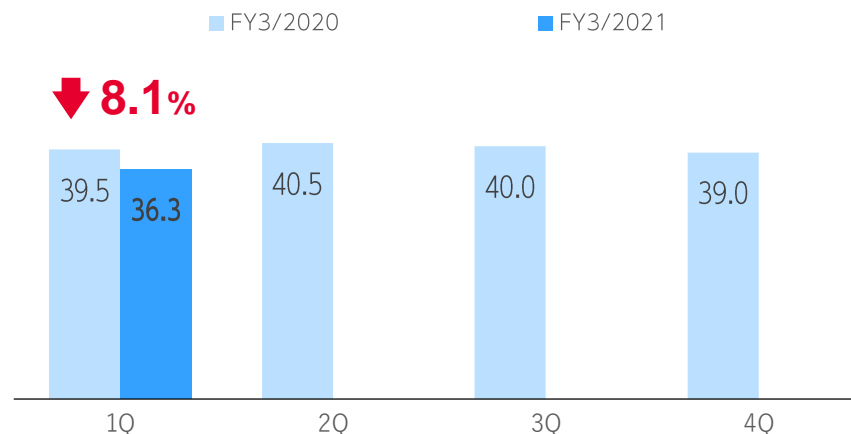
EBITDA

(Million yen)



Monthly sales per capita

(Ten thousand yen)



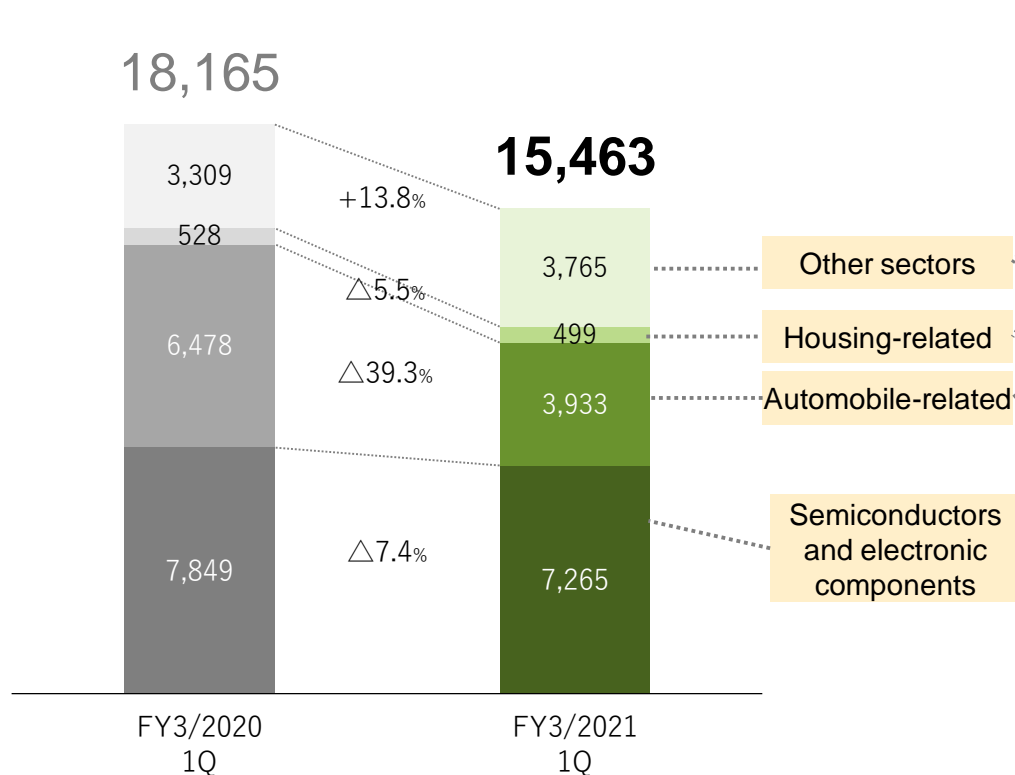
\* Average monthly sales is calculated by dividing quarterly sales by the quarterly average number of technical employees

## 2. Financial Highlights of First Quarter of Fiscal Year Ending March 2021

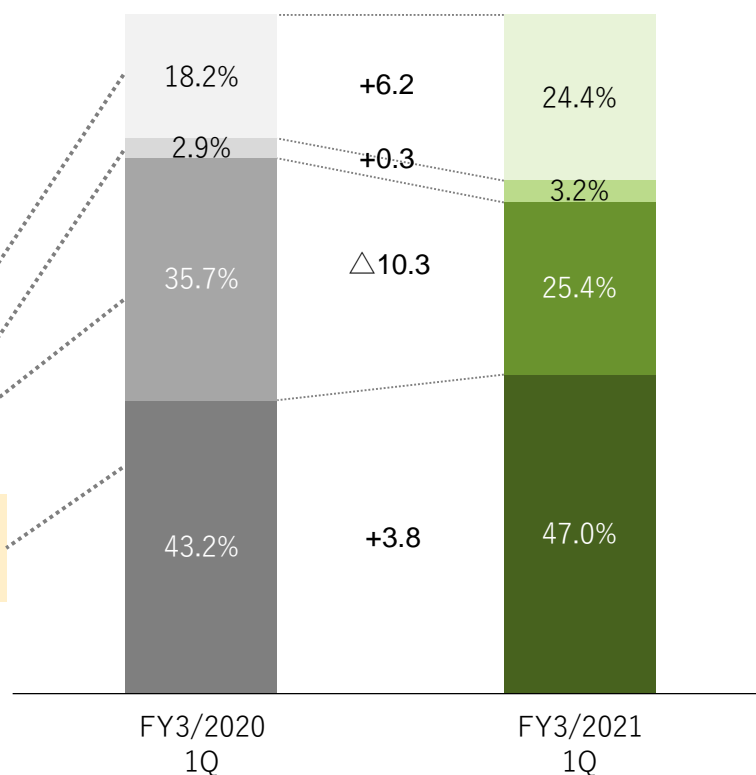
# Results by Segment: Manufacturing Business (Sales by Sector)

- The semiconductors and electronic components sector was less affected by temporary suspension of operations but demand for personnel was stagnant.
- The automotive-related sector sharply decreased in sales, a reversal from a year ago when demand was boosted prior to the consumption tax rate hike in October 2019 in Japan.

Sales (Million yen)



Sales composition

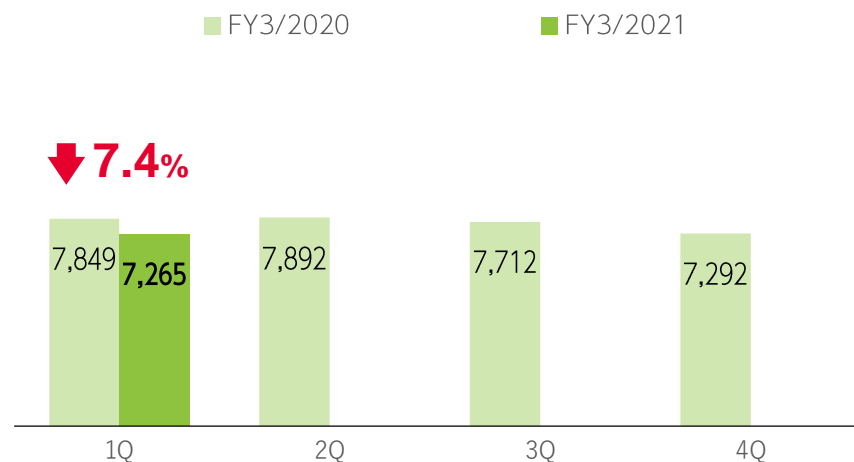




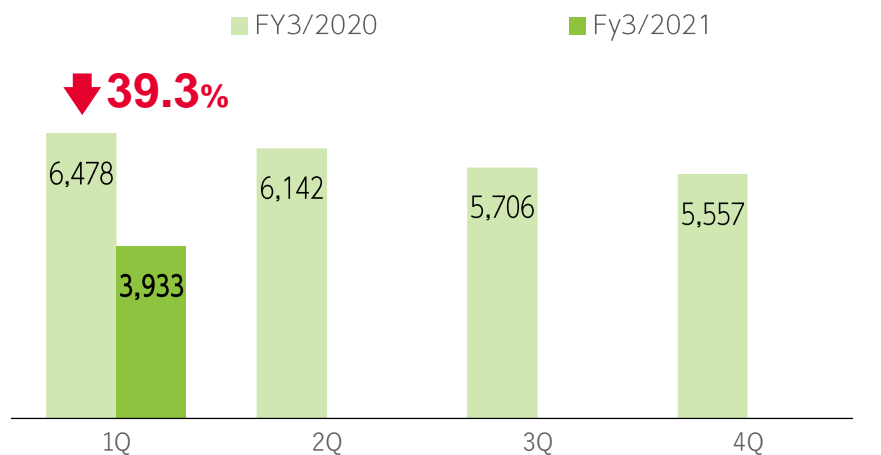
## 2. Financial Highlights of First Quarter of Fiscal Year Ending March 2021

# Results by Segment: Manufacturing Business (Sales by Sector)

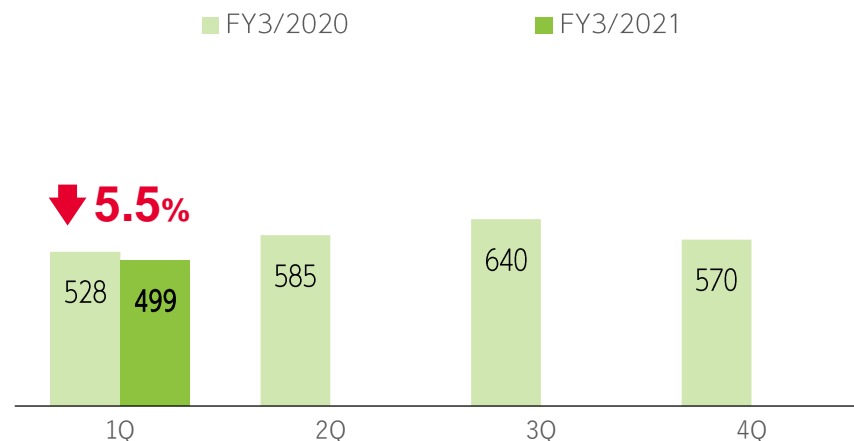
Semiconductors and electronic components (Million yen)



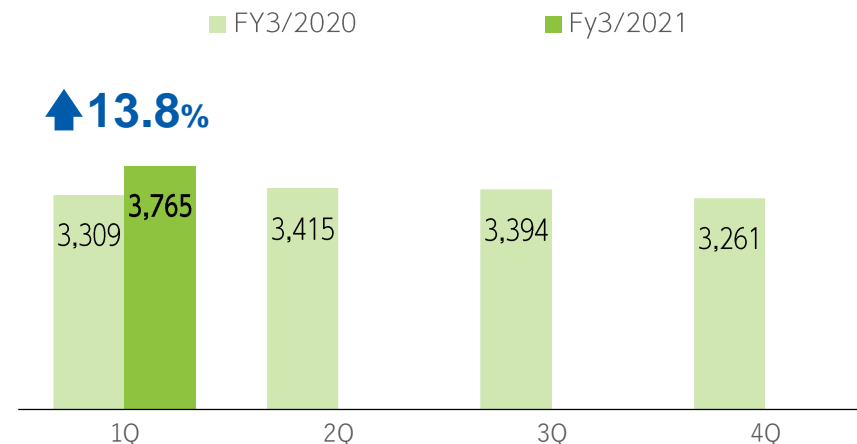
Automobile-related (Million yen)



Housing-related (Million yen)



Other sectors (Million yen)



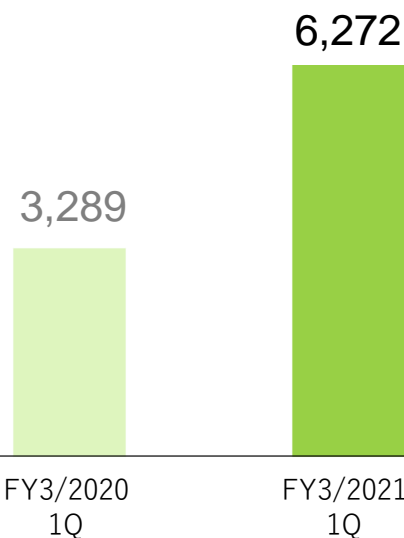
## 2. Financial Highlights of First Quarter of Fiscal Year Ending March 2021

### Results by Segment: Solution Business

- Some client factories that manufacture automotive components, construction machinery, etc. temporarily suspended operation due to the impact of the spread of COVID-19.
- In addition to a rise in unit price, corresponding to the same-labor, same-wage principle, three newly-consolidated Toshiba-affiliated subsidiaries in April significantly boosted sales and the number of technical employees.

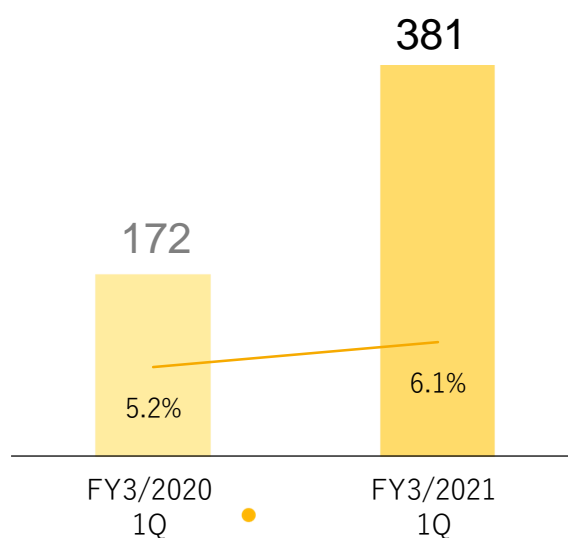
Sales (Million yen)

↑90.7%



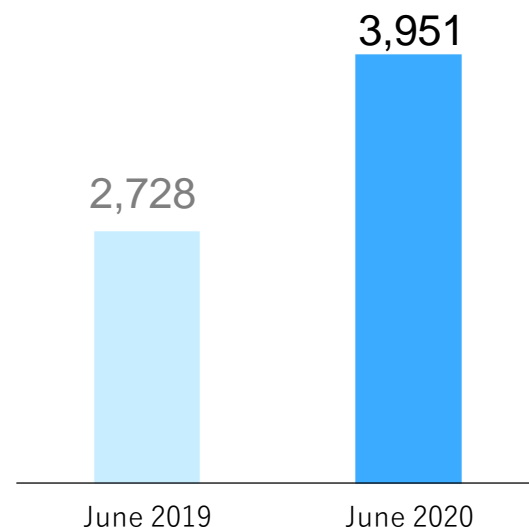
EBITDA • EBITDA margin (Million yen)

↑122.1%



Technical employees (Persons)

↑44.8%

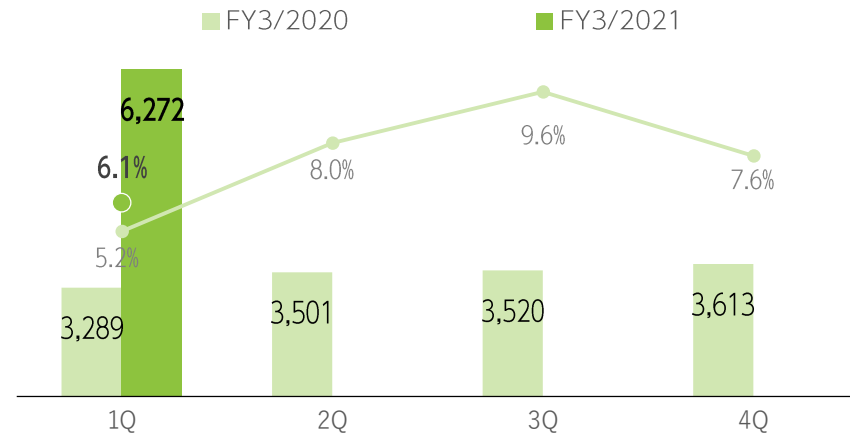


## 2. Financial Highlights of First Quarter of Fiscal Year Ending March 2021

### Results by Segment: Solution Business

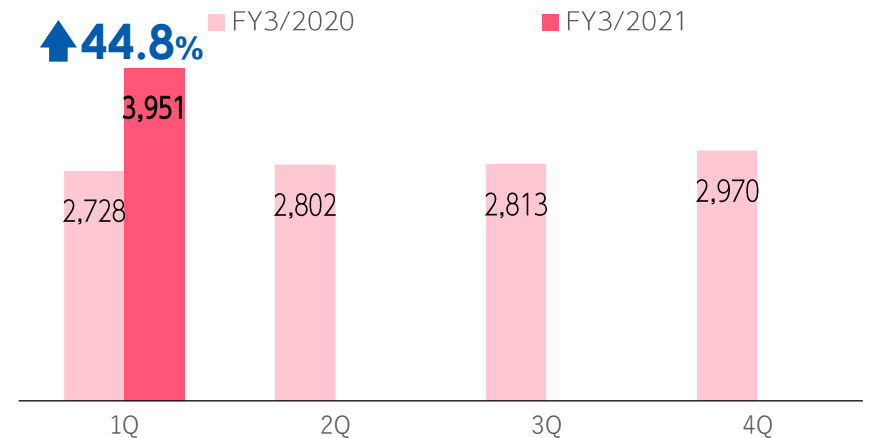
Sales and EBITDA margin

(Million yen)



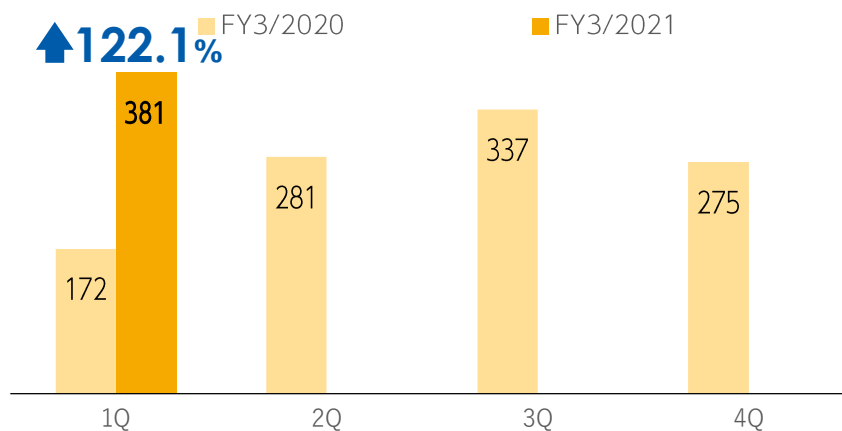
Technical employees

(Persons)



EBITDA

(Million yen)



# Results by Segment: Solution Business

### UT Pabec Co., Ltd.

Battery assembly; manufacturing dispatch and outsourced work

### UTHP Co., Ltd.

Manufacturing dispatch and outsourced work

### FUJITSU UT Co., Ltd.

Manufacturing dispatch and outsourced work

### UT Toshiba Co., Ltd.

Manufacturing dispatch and outsourced work

### UT Business Service Co., Ltd.

Manufacturing dispatch and outsourced work

### UT System Products Co., Ltd.

Sale of office supplies

### Mito Engineering Service Co., Ltd.

Elevator/escalator manufacturing outsourced work and dispatch of design engineers

### Consolidated 3 Toshiba Group companies

April 2020 (1Q)

- Enhanced relationship with the Toshiba Group
- Established the working environment for women and the elderly
- Expanded a business field
- Reorganized a function to provide after-retirement workplace for Toshiba Group employees

Number of technical employees (June 30): 1,085

### Consolidated a Hitachi Group company

July 2020 (2Q))

- Enhanced relationship with the Hitachi Group
- Expanded a field for dispatched engineers
- Improved local workplaces, mainly in Ibaraki Pref.

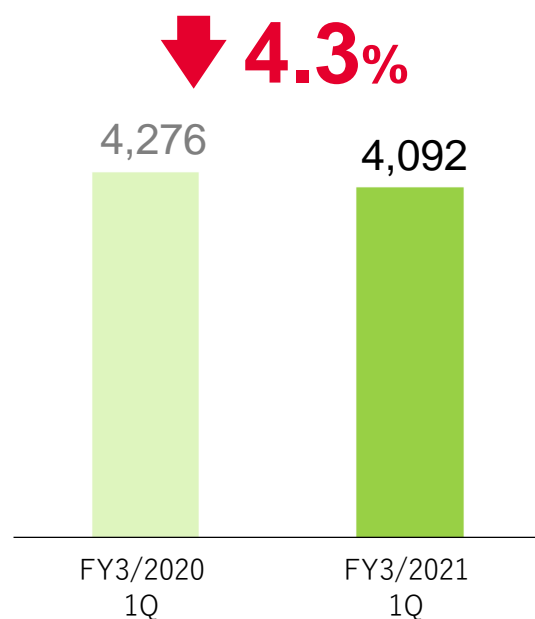
Number of technical employees (July 1): 390

## 2. Financial Highlights of First Quarter of Fiscal Year Ending March 2021

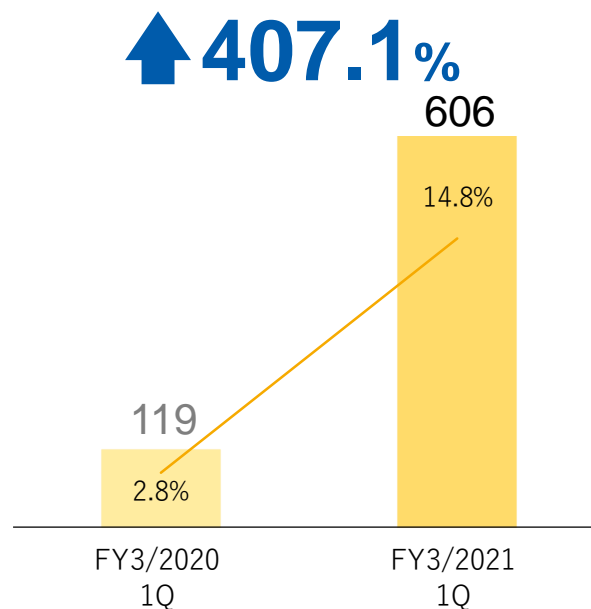
### Results by Segment: Engineering Business

- Demand for field engineers and equipment maintenance operators was solid mainly from clients in the manufacturing field but the number of technical employees and sales decreased y-o-y due to a sale of an operating company, following the business strategy review.
- Operating margin improved significantly, contributed by improvement in operating efficiency, driven by the reorganization of operating companies and improvement in operating rate, following a review of a support and placement system for new hires.

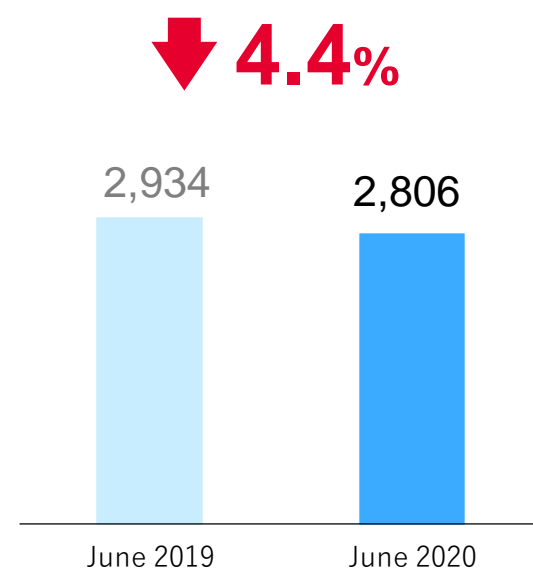
Sales (Million yen)



EBITDA • EBITDA margin (Million yen)



Technical employees (Persons)

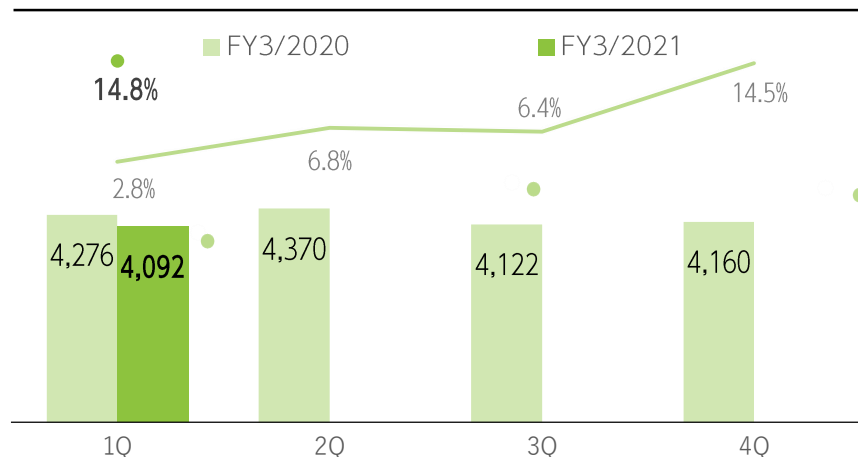


## 2. Financial Highlights of First Quarter of Fiscal Year Ending March 2021

### Results by Segment: Engineering Business

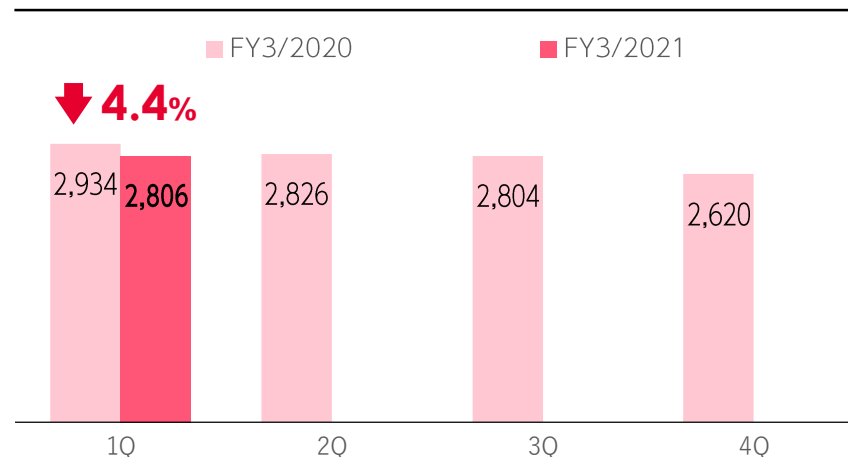
Sales and EBITDA margin

(Million yen)



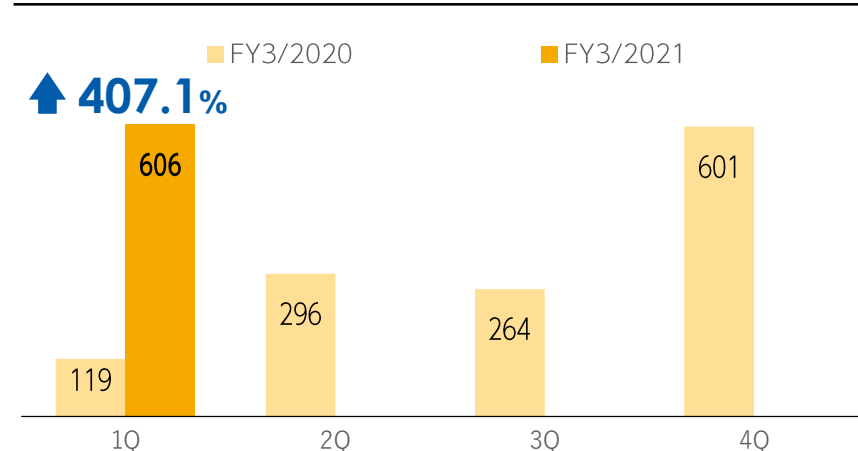
Technical employees

(Persons)



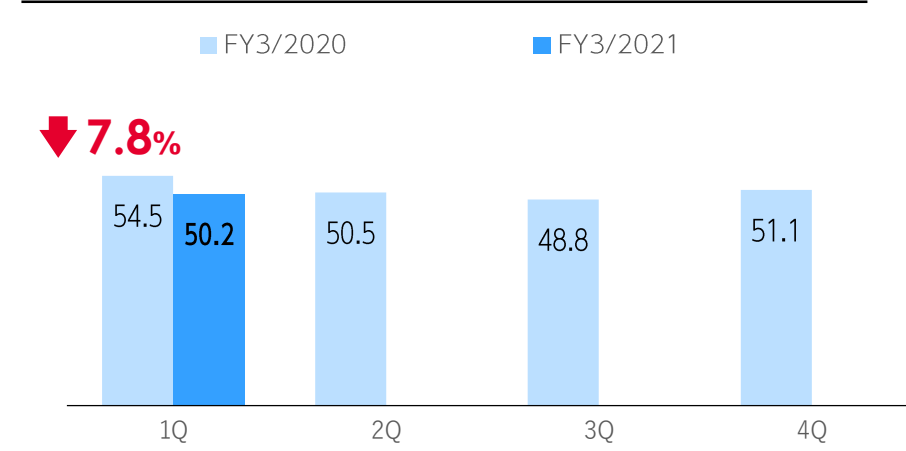
EBITDA

(Million yen)



Monthly sales per capita

(Ten thousand yen)

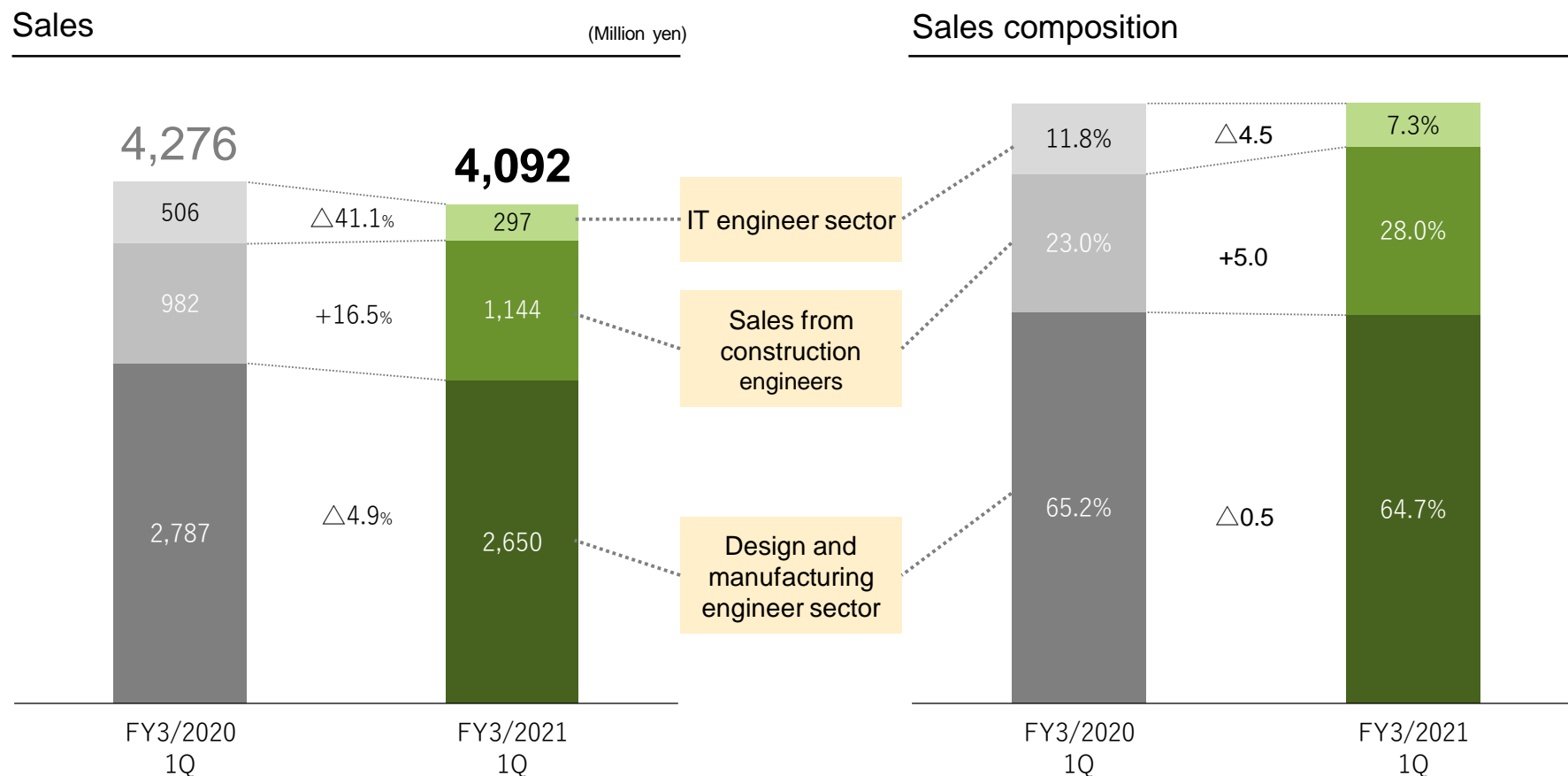


\* Average monthly sales is calculated by dividing quarterly sales by the quarterly average number of technical employees

## 2. Financial Highlights of First Quarter of Fiscal Year Ending March 2021

### Results by Segment: Engineering Business (Sales by Sector)

- Due to reorganization of operating companies, the design and manufacturing engineer sector is collaborating with the Manufacturing Business and enhancing capability to make proposals on business of field engineers and equipment maintenance, mainly to clients in manufacturing.
- The software development engineer sector posted a decline in sales due to a sale of an operating company.

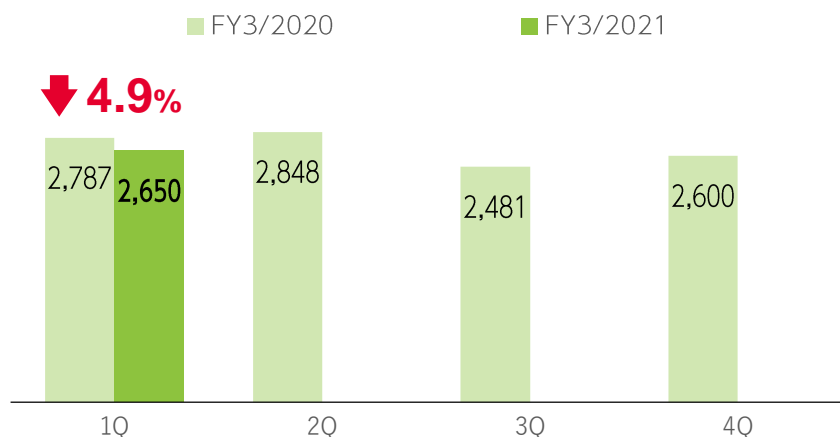


## 2. Financial Highlights of First Quarter of Fiscal Year Ending March 2021

# Results by Segment: Engineering Business (Sales by Sector)

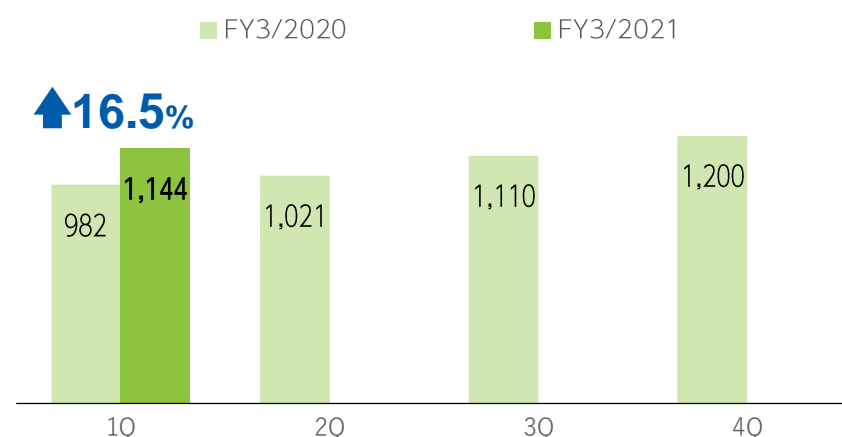
### Design and manufacturing engineer sector

(Million yen)



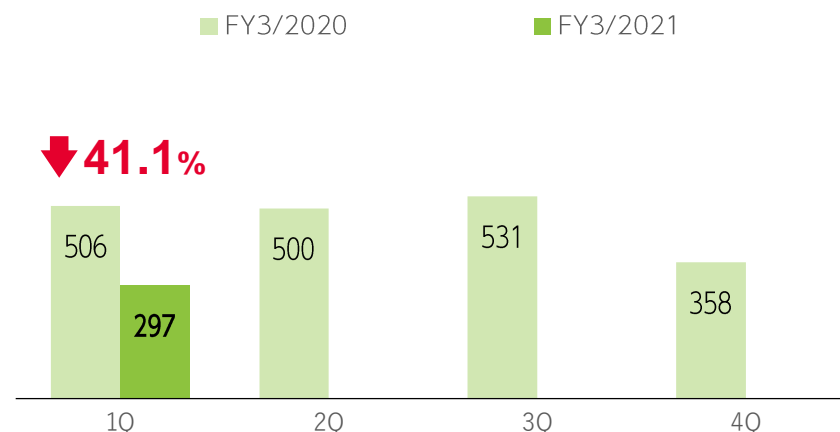
### Sales from construction engineers

(Million yen)



### IT engineer sector

(Million yen)





### 3. FY3/2021 Forecasts

### 3. Forecasts and Outlook for Fiscal 2020, Ending March 2021

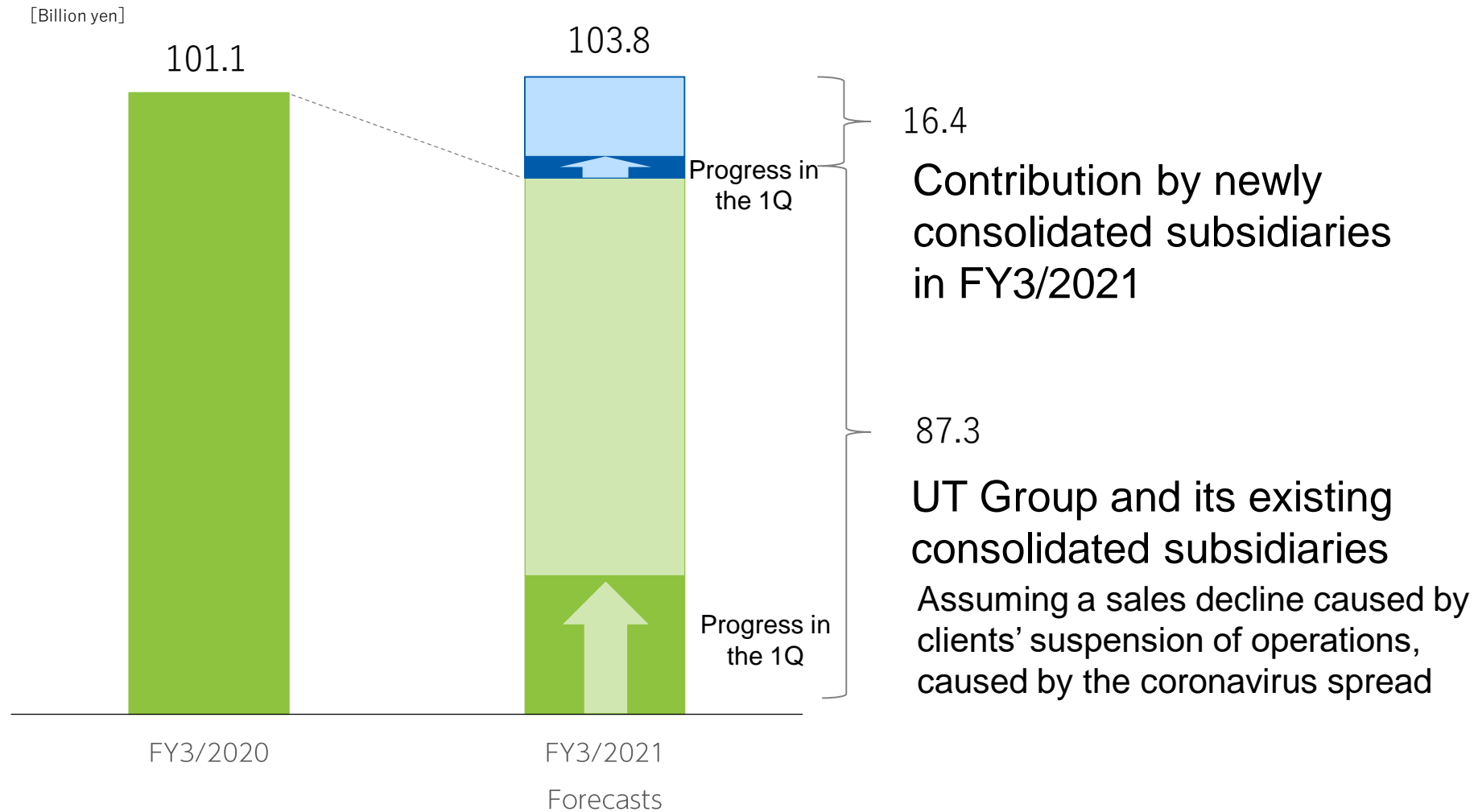
## FY3/2021 Earnings Forecasts (Repost)

- Assuming long-term implementation of the coronavirus preventive measures and an economic slowdown, UT Group prioritizes maintaining employees.

	FY3/2020		FY3/2021		(Billion yen)	
	Results	% of total	Forecasts	% of total	Increase (decrease)	Year-on-Year
Net sales	101.1	100.0%	103.8	100.0%	2.6	2.6%
EBITDA	8.6	8.5%	4.9	4.7%	(3.7)	(43.1%)
Operating profit	8.0	7.9%	4.1	3.9%	(3.9)	(49.0%)
Ordinary profit	8.1	8.0%	4.1	3.9%	(4.0)	(49.5%)
Net profit attributable to UT Group	4.5	4.5%	2.6	2.5%	(1.9)	(42.3%)
EPS (yen)	113.03	—	64.42	—	—	—

### 3. Forecasts and Outlook for Fiscal 2020, Ending March 2021

## Sales Forecast: Breakdown and Progress in 1Q

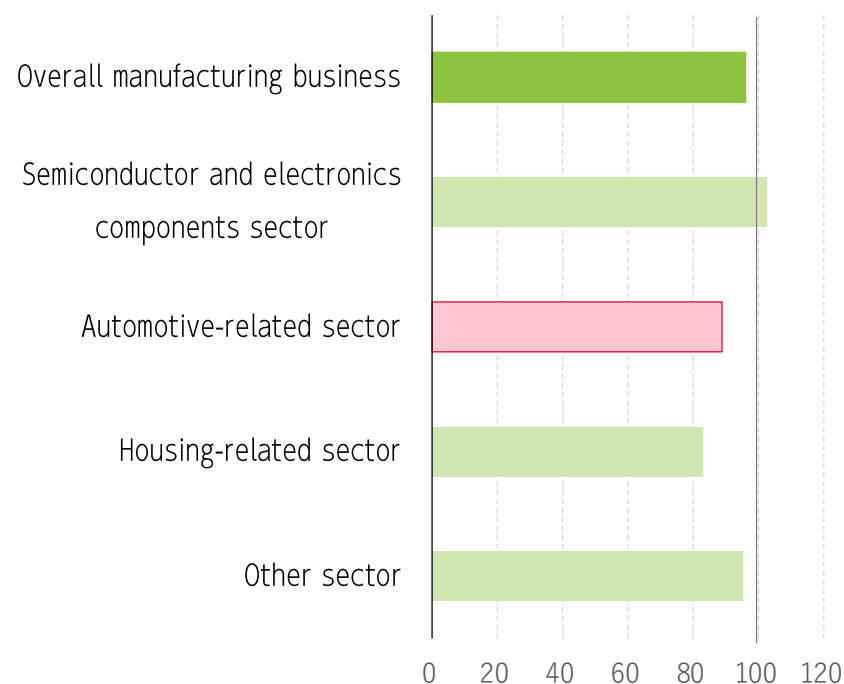


## Manufacturing Business: Sales Progress

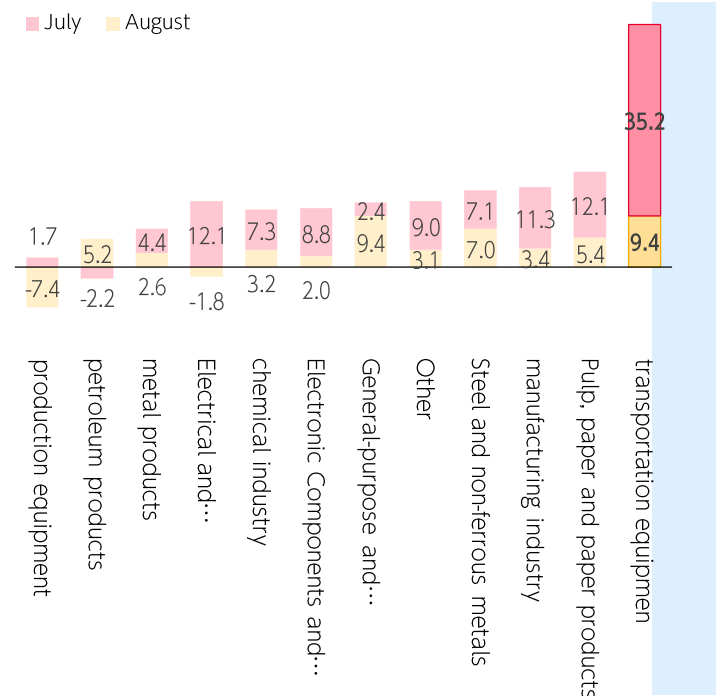
- The automotive-related sector was affected by the clients' suspension of operation greater than initially expected in the 1Q but is experiencing a return to normal production in the 2Q.

Sales progress vs. 1Q plan, by sector

[%]



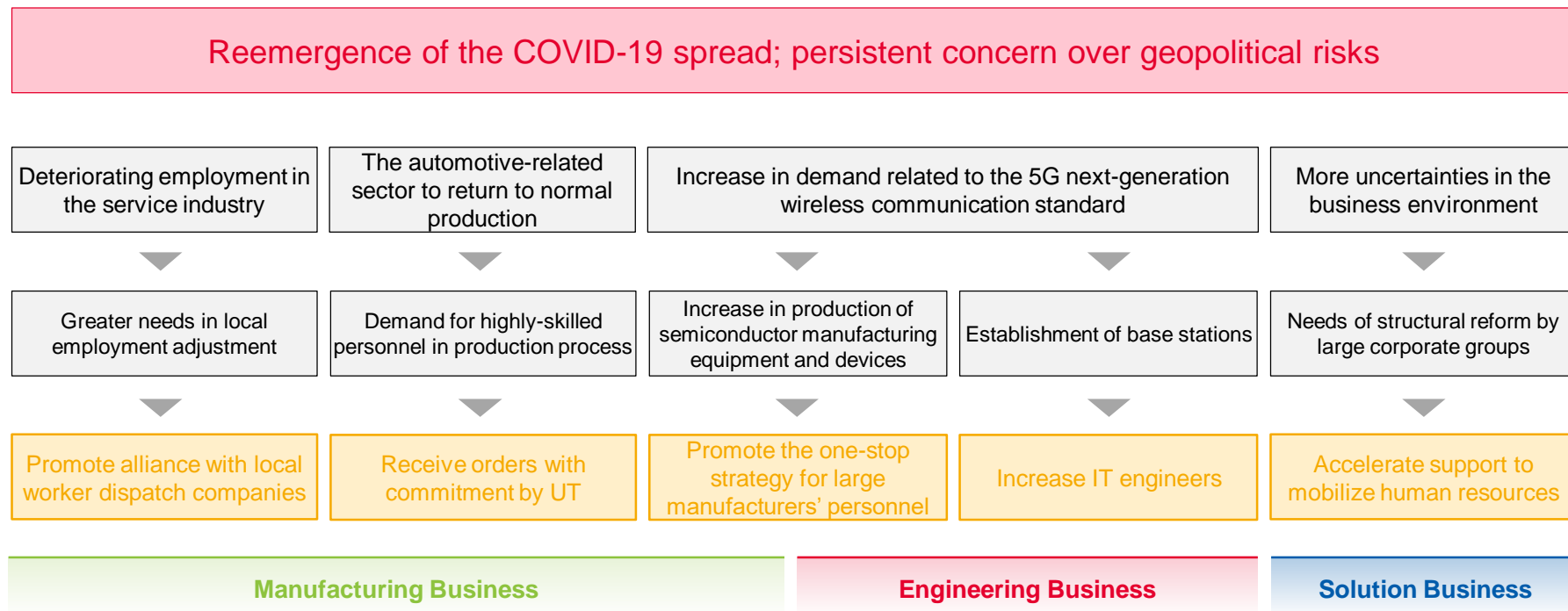
Estimated Index of Industrial Production in Japan



source : METI 「Survey of manufacturing and industrial production forecasts」 ( July 31, 2020 )

### 3. FY3/2020 Forecasts

## Business Outlook by Segment



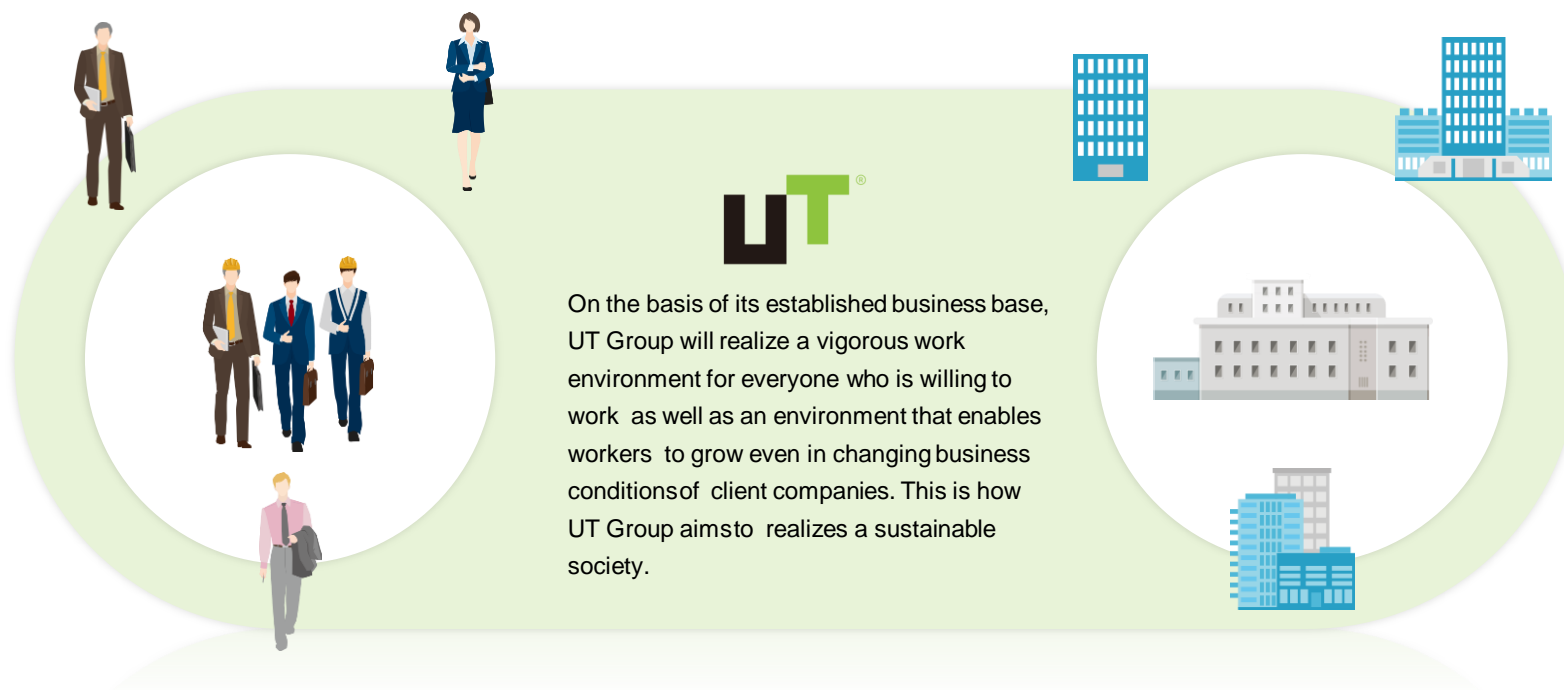
**Outlook remains uncertain but there are signs of recovery in personnel demand**

## 4. Fourth Medium-term Business Plan (Repost)

## 4. Fourth Medium-term Business Plan

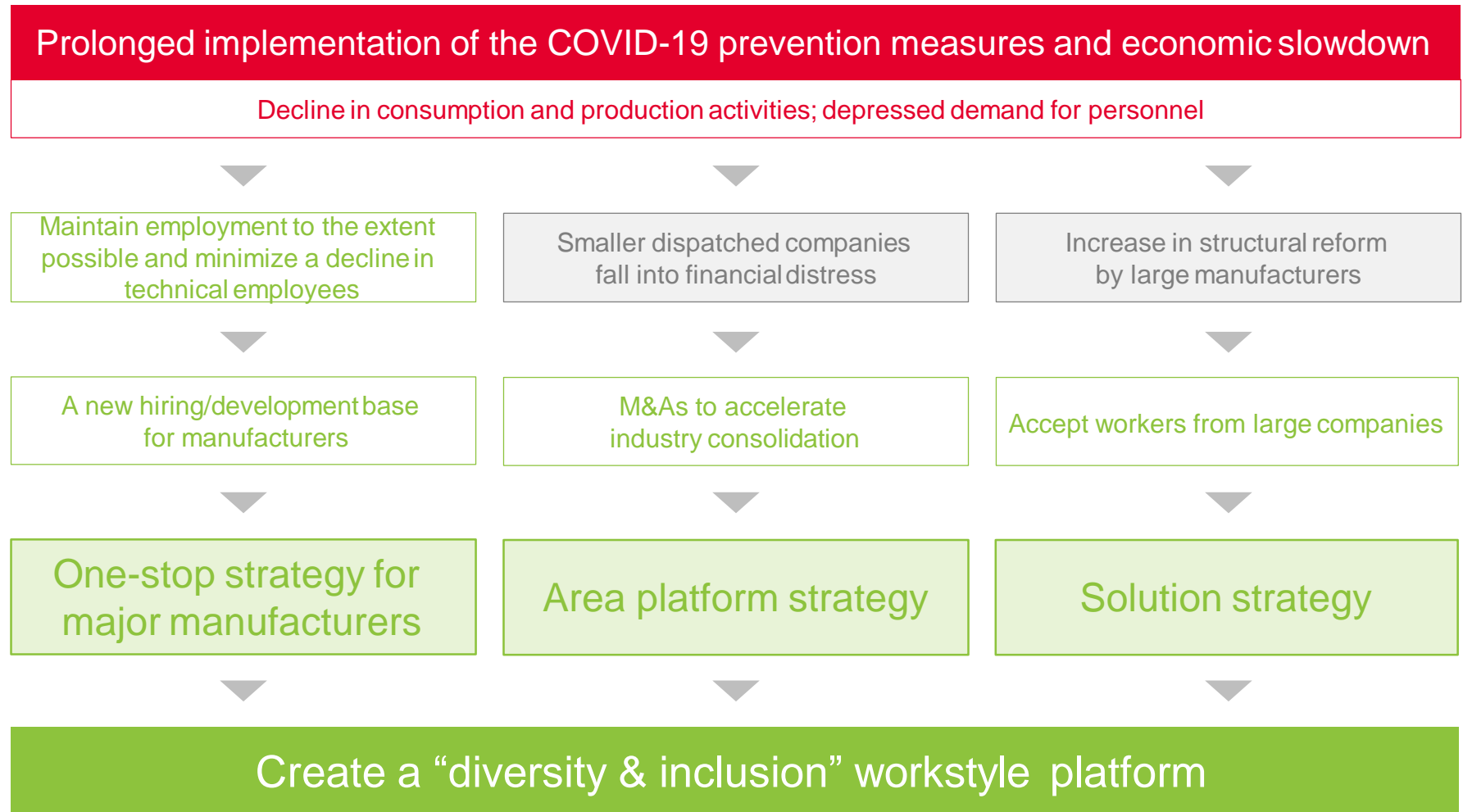
# Medium-term business objective

Create a “diversity & inclusion” workstyle platform



## 4. Fourth Medium-term Business Plan

# Growth strategy

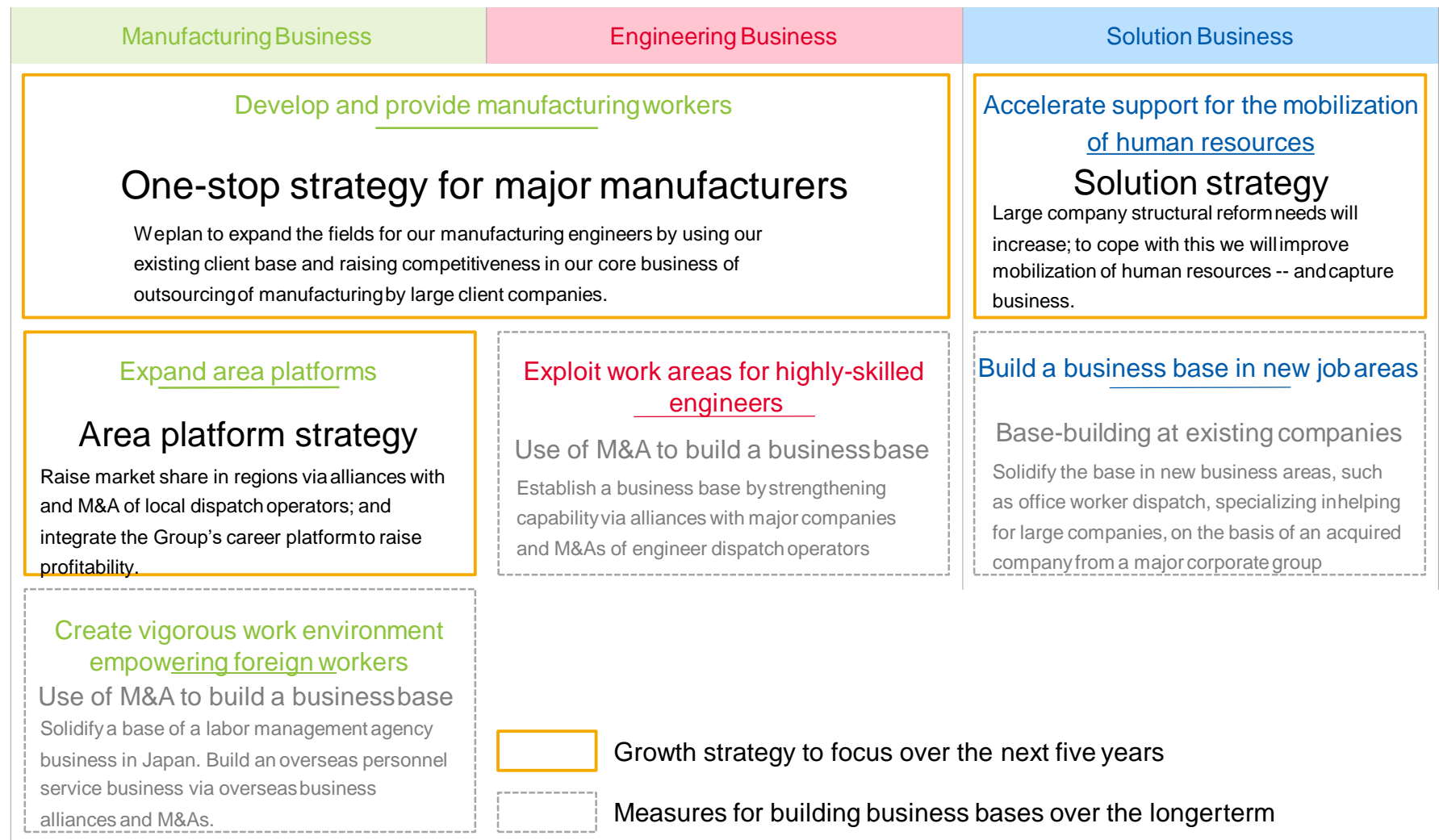


Measures for economic recovery are expected to produce a V-shaped recovery and enable UT Group to achieve its plans



## 4. Fourth Medium-term Business Plan

# Basic policy by segment



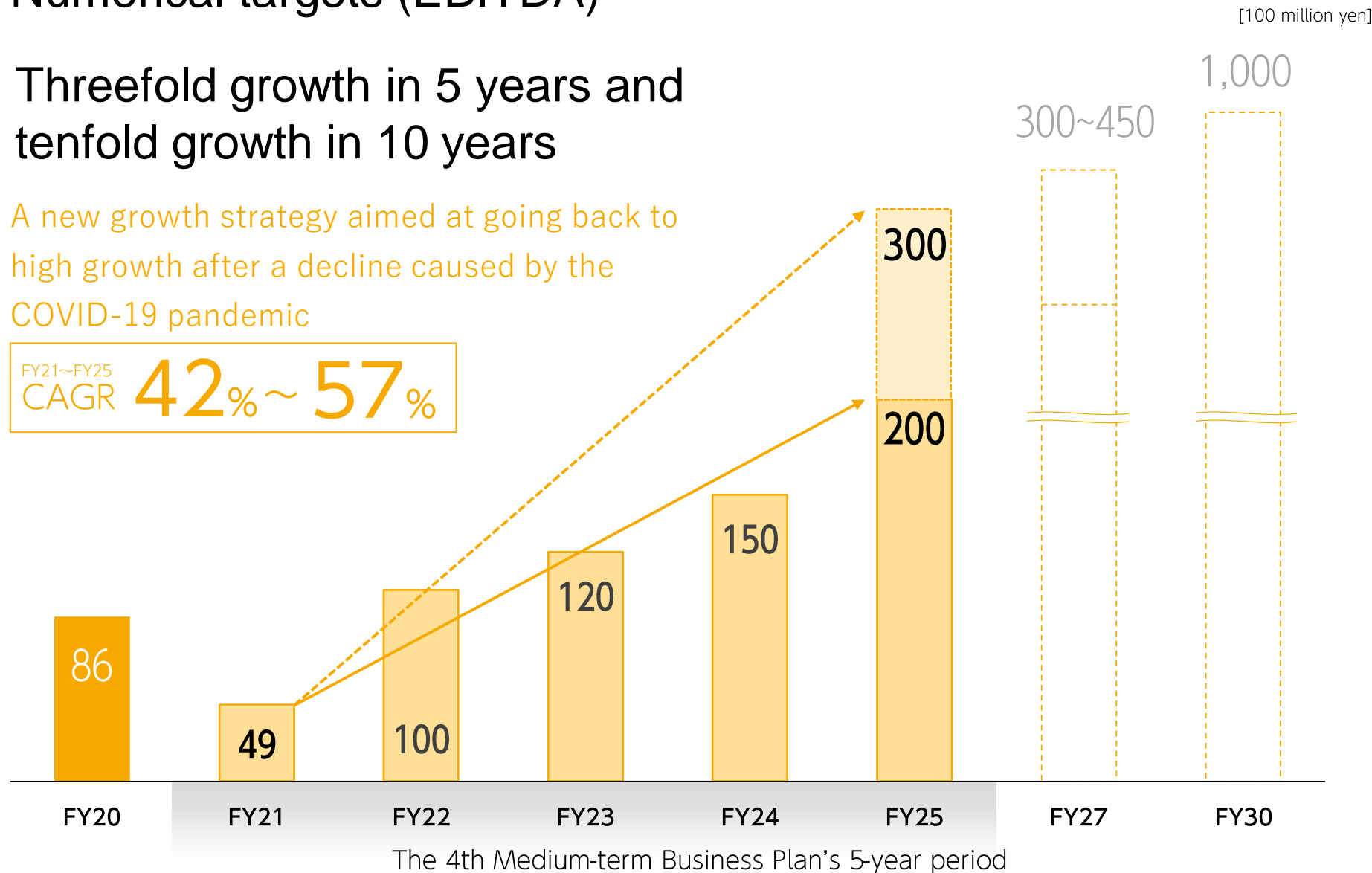
## 4. Fourth Medium-term Business Plan

### Numerical targets (EBITDA)

Threefold growth in 5 years and  
tenfold growth in 10 years

A new growth strategy aimed at going back to  
high growth after a decline caused by the  
COVID-19 pandemic

FY21~FY25  
CAGR **42%~57%**



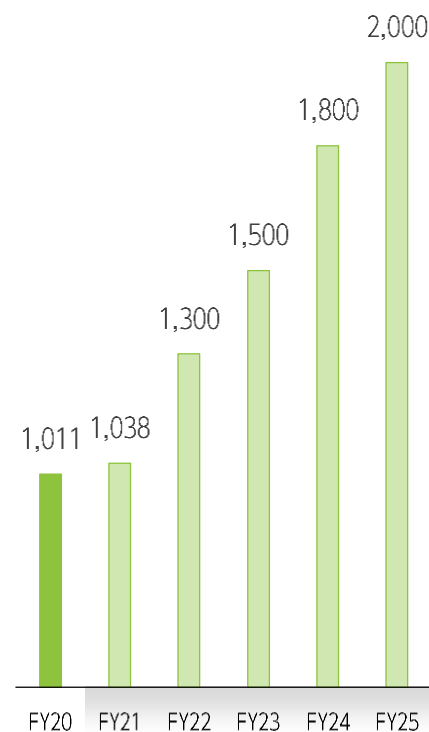
## 4. Fourth Medium-term Business Plan

# Numeric Targets and Commitments

We are determined to achieve M&A-driven growth and financial stability, and to ensure return to shareholders.

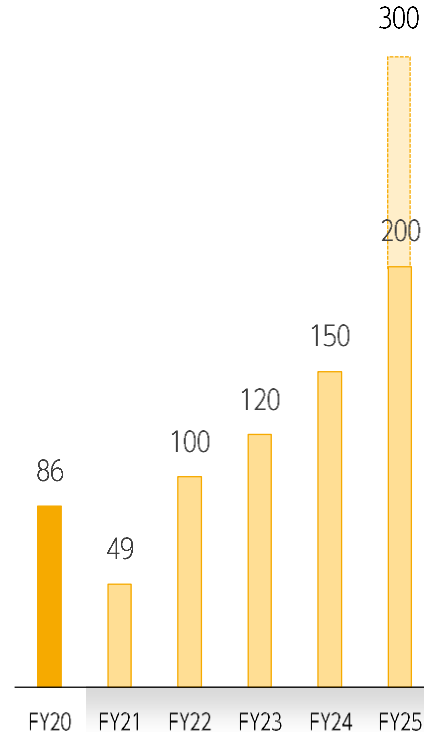
### Sales target

[100 million yen]



### EBITDA target

[100 million yen]



### Commitments

#### EBITDA growth rate: 30% or more (CAGR starting from FY3/2021)

The UT Group emphasizes earnings growth as much as sales growth by business expansion. The Fourth Medium-term Business Plan includes strategic M&A activities aimed at formation of a long-term business base. We therefore use EBITDA to show our commitment in earnings growth and set 30% or more CAGR in EBITDA for the period starting from FY3/2021.

#### Total return ratio: 30% or more

The UT Group recognizes return to shareholders as an important management priority. We intend to achieve a corporate growth through strategic investment as well as return to shareholders. We are committed to a total return ratio of 30% or more by dividend payment and share buyback.

#### Gross D/E ratio: 1.0 or less (at the end of FY3/2025)

We intend to achieve both a high growth and a stable financial position by balancing debts with shareholders' equity, which stems from efficient business operation and capital policy.

##### Total return ratio

The total return ratio represents the proportion of shareholder return to net profit.

$\text{Total return ratio} = (\text{Dividends} + \text{Shares bought back}) / \text{Net profit after tax}$

##### Gross D/E ratio

The gross debt/equity ratio indicates the ratio of interest-bearing debt to shareholders' equity of the fund sources of a company. A ratio of 1.0 or less is generally regarded as indicating a healthy financial position.

Appendix

## 5. About UT Group

# Corporate Outline

As of May 1, 2020

Corporate name:	UT Group Co., Ltd.
Founded:	April 2, 2007
Capital:	680 million yen
Listing:	TSE 1st Section (Securities code: 2146)
Representative:	President, Representative Director & CEO Yoichi Wakayama
Location:	1-11-15 Higashi-Gotanda, Shinagawa-ku, Tokyo

### Branches and offices



### Group Companies

#### Manufacturing Business

##### UT Aim

Manufacturing personnel services

##### UT Community

General personnel dispatch and outsourcing

##### Support System

General personnel dispatch and outsourcing

#### Solution Business

##### UT Pabec

Battery manufacturing outsourcing

##### UTHP

Manufacturing personnel dispatch and outsourcing

##### FUJITSU UT

General personnel dispatch and outsourcing

##### UT Toshiba

General personnel dispatch and outsourcing

##### UT Business Service

General personnel dispatch and outsourcing

##### UT System Products

Sales of information system equipment

##### Mito Engineering Service

Elevator/escalator manufacturing outsourced work  
and dispatch of design engineers

#### Engineering Business

##### UT Technology

IT engineer outsourcing

##### UT Construction

Construction engineer outsourcing

#### Other Business

##### UT Life Support

Internal benefit program management

##### UT Heartful

Special subsidiary company

## 5. About UT Group

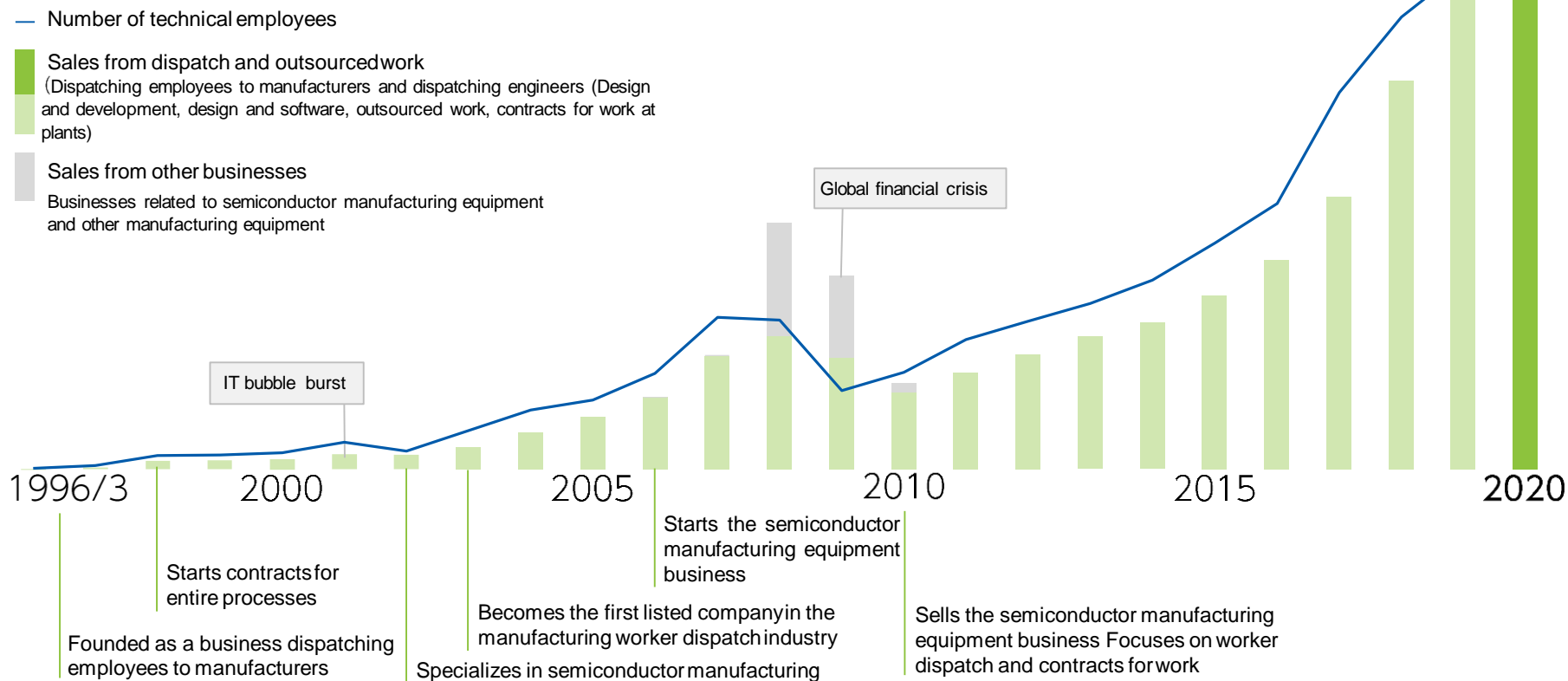
# Facilitating the healthy birth of the next workstyle platform

### Creating vigorous workplaces empowering workers.

Adopting the twin customer strategy that identifies both workers and companies as clients, UT Group transformed the process of manufacturing worker dispatch into a sustainable business model that facilitates growth by both workers and companies.

Create a “diversity & inclusion” workstyle platform.

FY3/2020  
Technical employees  
**19,634**  
Consolidated sales  
**¥101.1bn**



## Business Segment

### Manufacturing Business

Staffing service in production processes

**¥70.3** billion

69.5%

### Solution Business

Structural reform support and BPO services

**¥13.9** billion

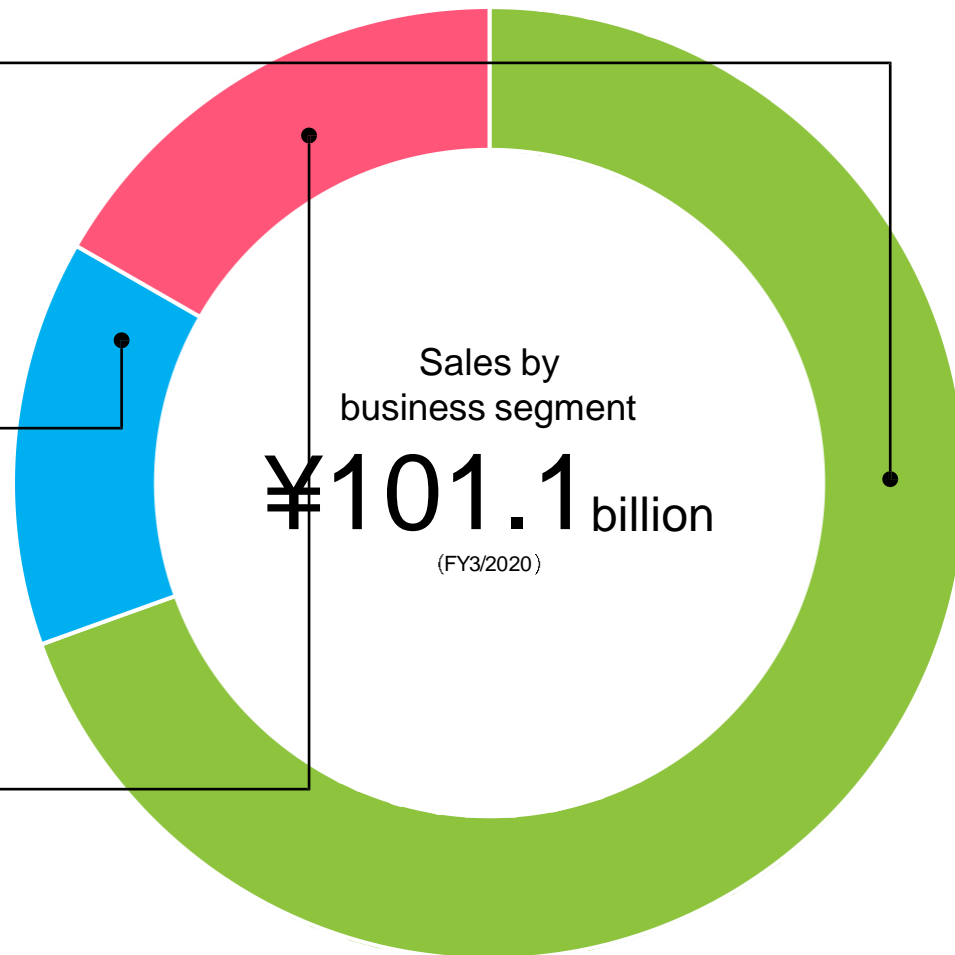
13.8%

### Engineering Business

Dispatching of design, development and IT engineers

**¥16.9** billion

16.7%



# UT Group's Mission and Vision

### Mission

Create vigorous workplaces empowering workers.

UT Group gives opportunities to its entire workforce to take on challenges.

We believe that bravely taking on a challenge to achieve a high goal helps a person grow and brings joy to that person.

We further believe that such a vigorous work attitude results in a better response to client expectations and in contributing to a better future for Japan.

### Strategy to make workers vigorous and empowered

#### Job security and stability

- Regular employment (open-ended employment)
- Company housing all over the country
- Fulfilling welfare benefits



#### Team dispatch and support for career development

- Start-to-finish outsourced production service
- Cultivation of inexperienced employees by teams
- Career consulting



#### Developing motivation

- Entry system for positions
- Job change within the group (One UT Project)
- Engineer development program
- Management training



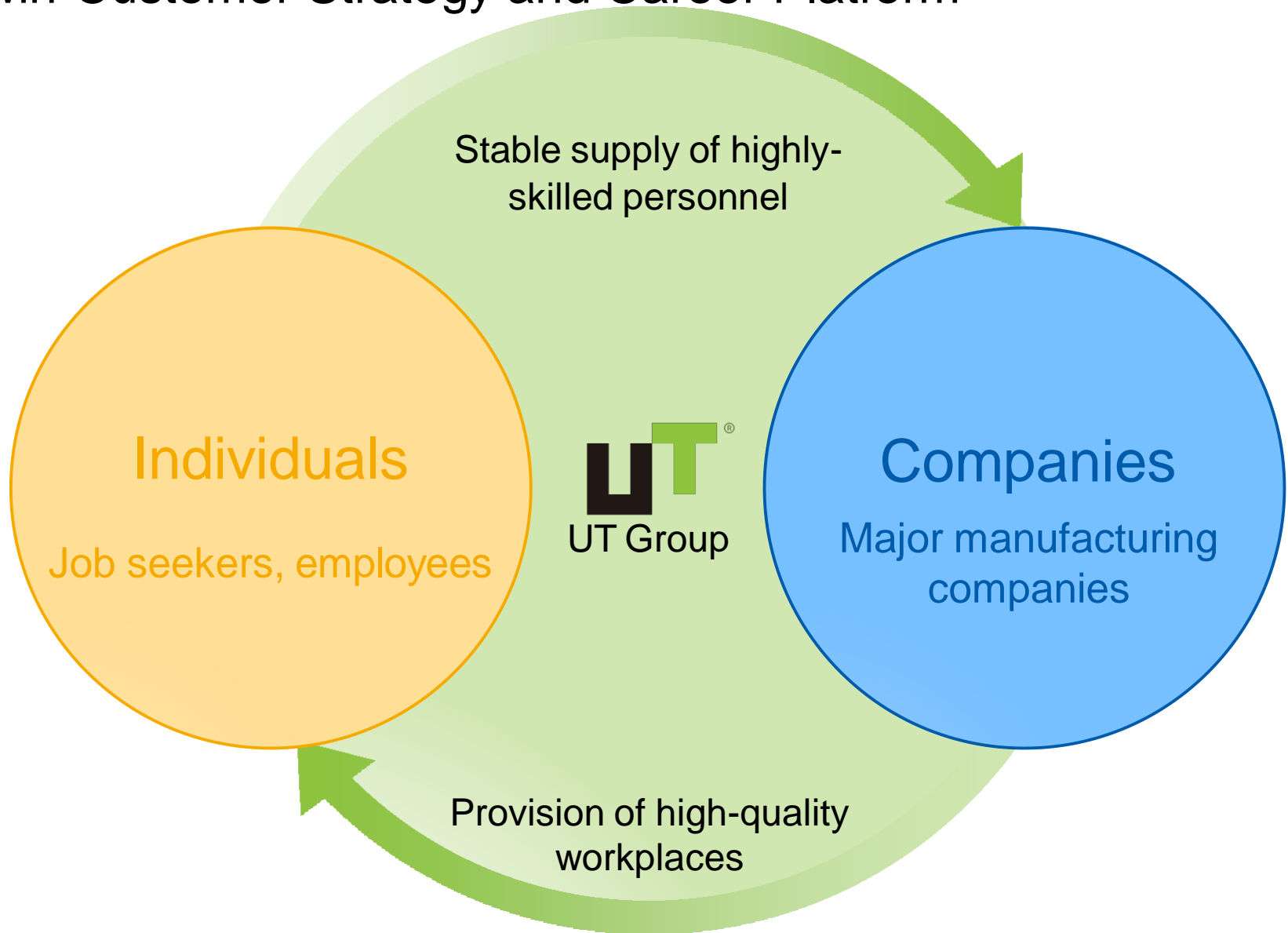
#### Share profit from enhanced corporate value with employees

- Measures to encourage employees to become shareholders

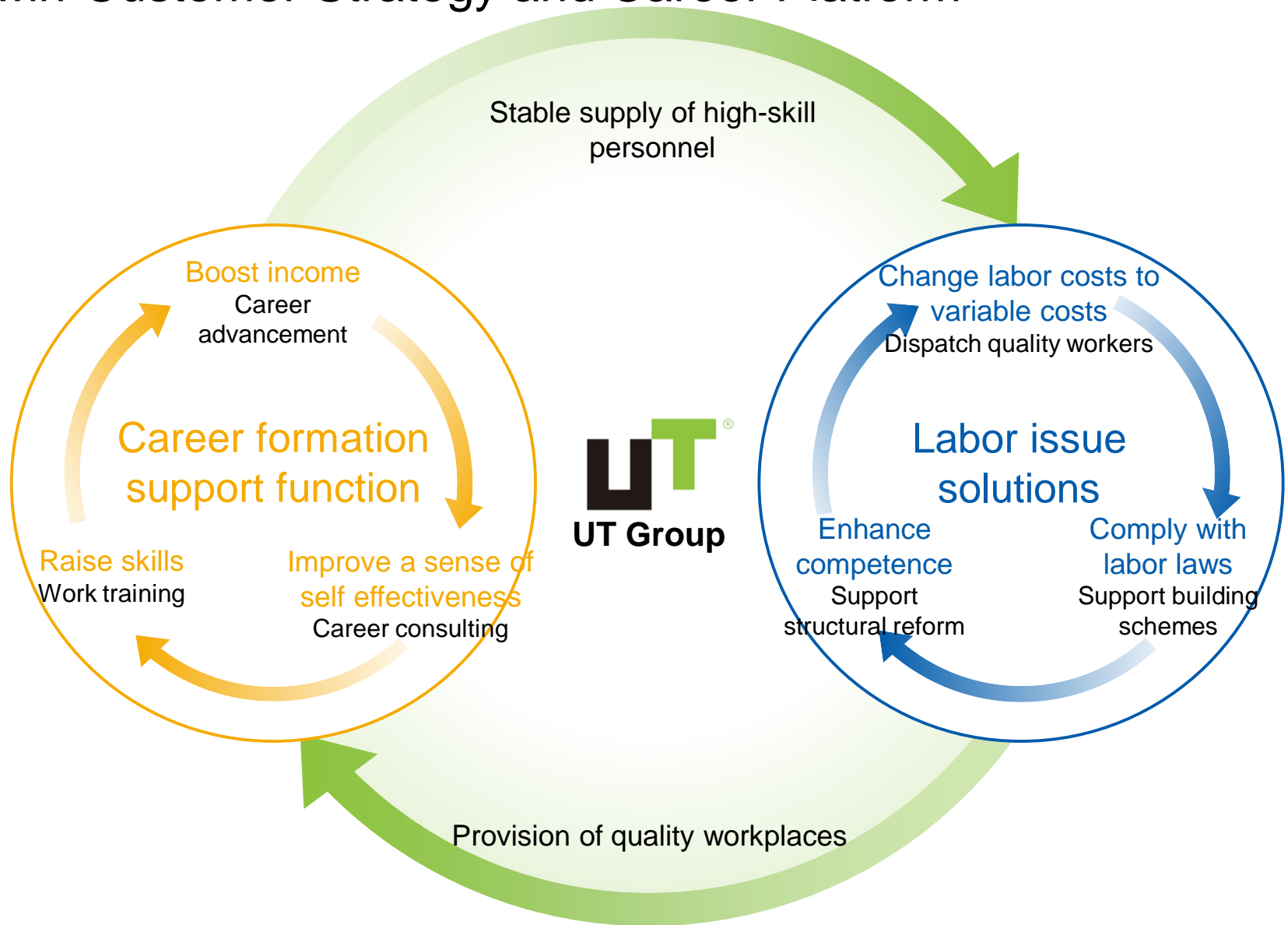




## Twin-Customer Strategy and Career Platform



# Twin-Customer Strategy and Career Platform



# Basic Policy on Shareholders' Return

### Basic policy on shareholders' return

UT Group's management aims at establishing a stable financial position and promoting aggressive business development to achieve high growth and ultimately raise sustainable corporate value. UT Group regards returning profits to shareholders as an important management issue and intends to make an appropriate return to shareholders based on a total return ratio of 30% or more by dividends and share buyback, which helps improve capital efficiency, and in consideration of stock price level, business environment, and other factors

UT Group forwent return to shareholders in FY3/2020, given consideration to the impact of the COVID-19 pandemic.

### Total return ratio (Thousand yen)

	FY3/2017	FY3/2018	FY3/2019	FY3/2020
Net profit	2,033,027	3,534,596	4,968,446	4,562,294
Dividends paid	-	-	2,499,281	--
Amount of share buyback	609,862	1,060,818	-	-
<b>Total return ratio</b>	<b>30.0%</b>	<b>30.0%</b>	<b>50.3%</b>	<b>0.0%</b>

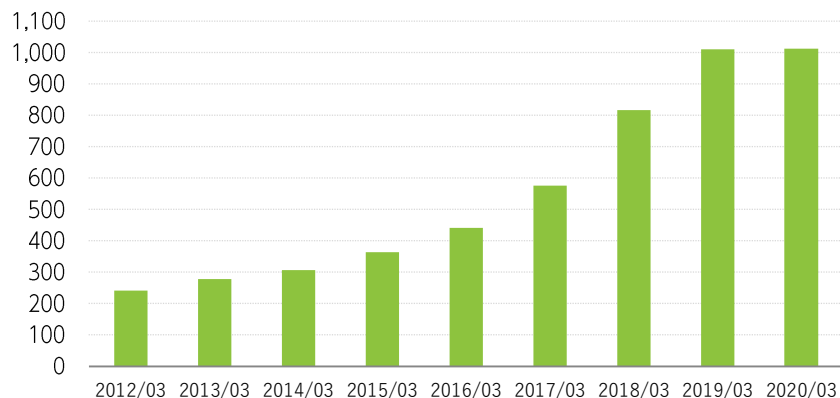
\* In light of changes in the business environment and other factors, shareholder return in FY3/2019 is all in the form of dividend payment, including special dividend.

Total return ratio (Dividends + share buyback)/Net profit  $\geq 30\%$

# Trends of Business Results

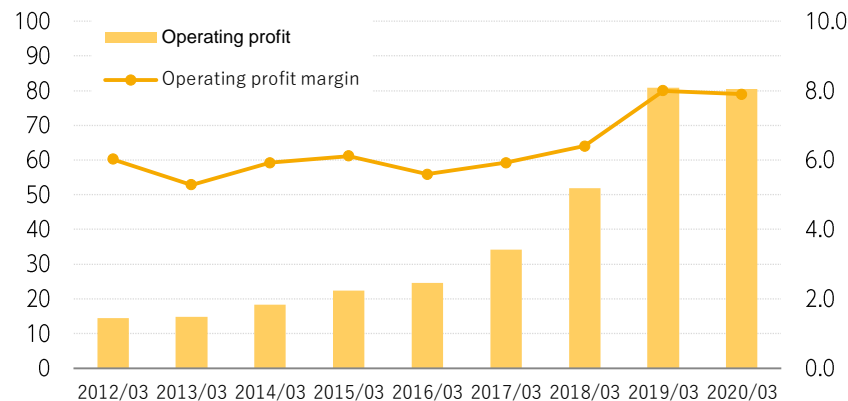
### Net sales

(100 million yen)



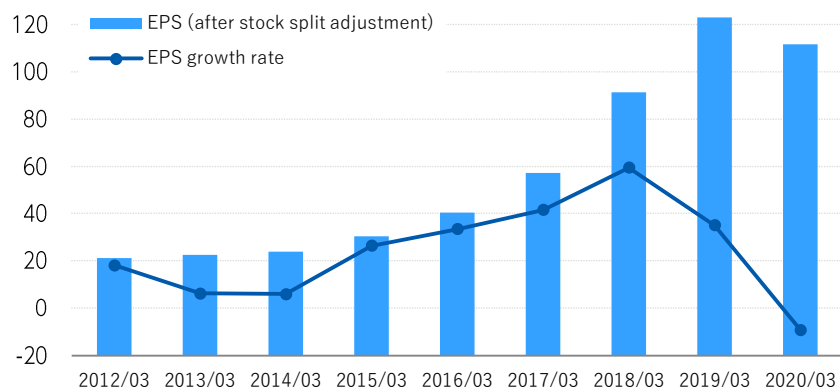
### Operating profit (LH) and Operating profit margin (RH)

(100 million yen, %)



### EPS and EPS growth rate

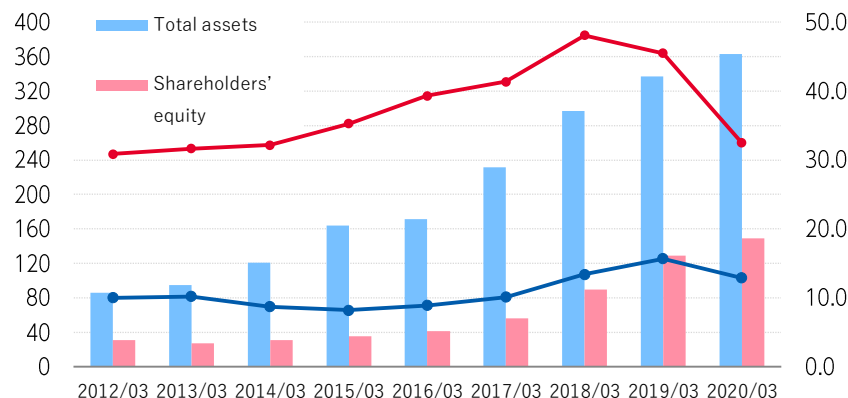
(Yen, %)



### Total assets and Shareholders' equity (LH)

### ROA and ROE (RH)

(100 million yen, %)



ROA = [Net profit attributable to owners of the parent] / [Total assets] (fiscal year average)  
 ROE = [Net profit attributable to owners of the parent] / [Shareholders' equity] (fiscal year average)

# Trends of Stock Price

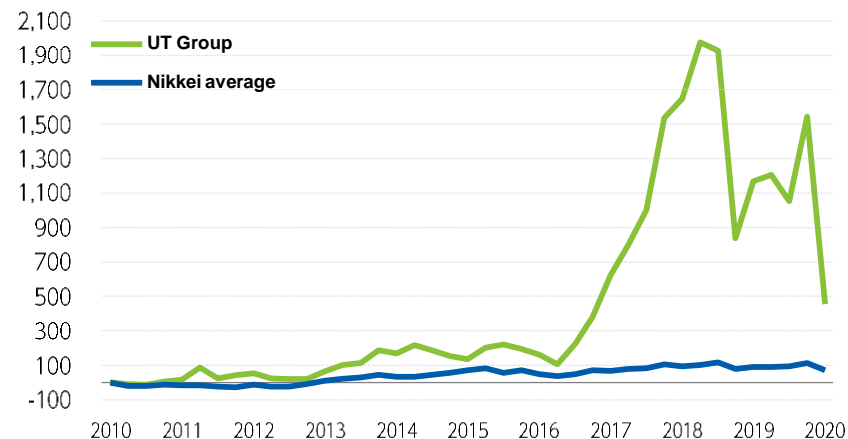
Stock price (LH) and trading volume (RH)(Yen / 10,000 shares)



## Changes in stock price

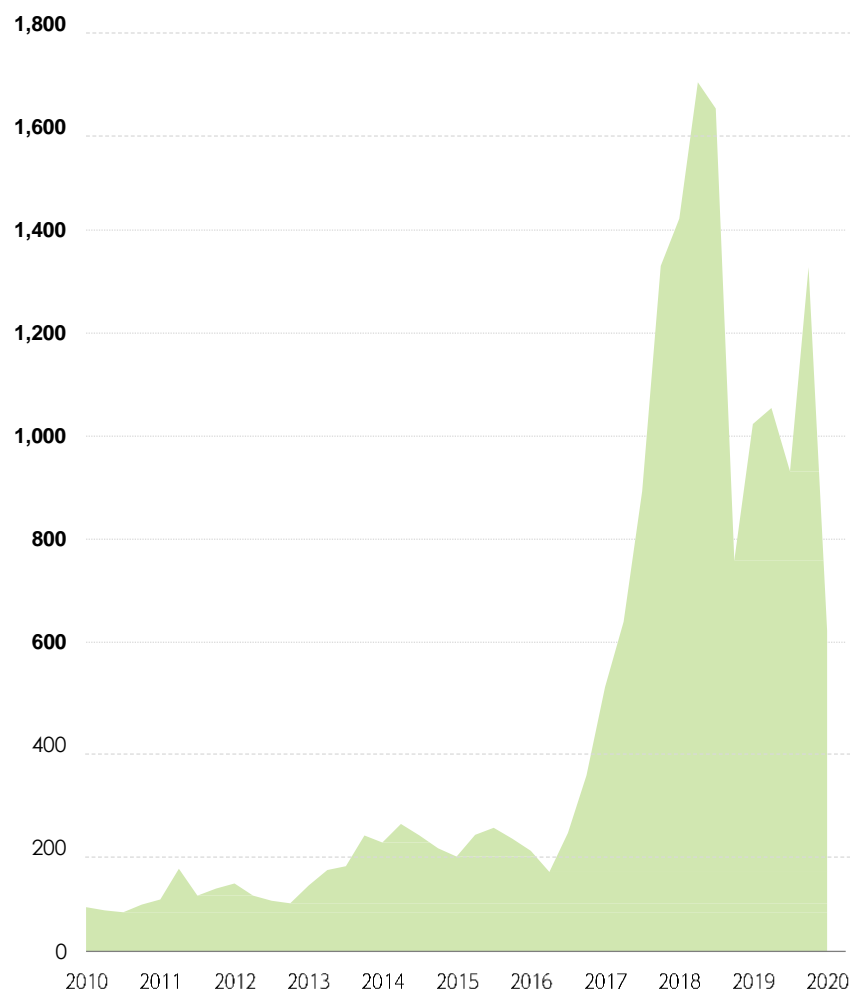
(compared with the level on March 31, 2010)

(%)



Market capitalization

(100 million yen)



# Create vigorous workplaces empowering workers.



Upward **Together**

**UT Group Co., Ltd.**

## Disclaimer

This document has been prepared solely for the purpose of providing information regarding the Company's business forecasts. The forward-looking comments and forecasts expressed in this document are the plans based on the Company's judgment based on information available at the time of its preparation and are subject to change without notice. Actual results may differ from the above forecasts, due to various factors.

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