

November 5, 2020

UT Group Co., Ltd.

(Code number: 2146)

Consolidated Financial Results of the First Half of Fiscal 2020 Ending March 31, 2021
UT Group's Reports Net Sales of 53.0 Billion Yen, an Increase of 2.7% Y-o-y
With its Business Bottoming Out of the COVID-19 Impact
Upward revision in fiscal 2020 full-year earnings are announced today

In the first half of fiscal 2020 Ending March 31, 2021 (FY3/2021), UT Group recorded net sales of 53,045 million yen (up 2.7% year-on-year), EBITDA of 3,870 million yen (down 6.5%), operating profit of 3,515 million yen (down 9.0%), and net profit attributable to owners of the parent of 2,332 million yen (up 33.3%). The number of technical employees was 20,985 (up 683).

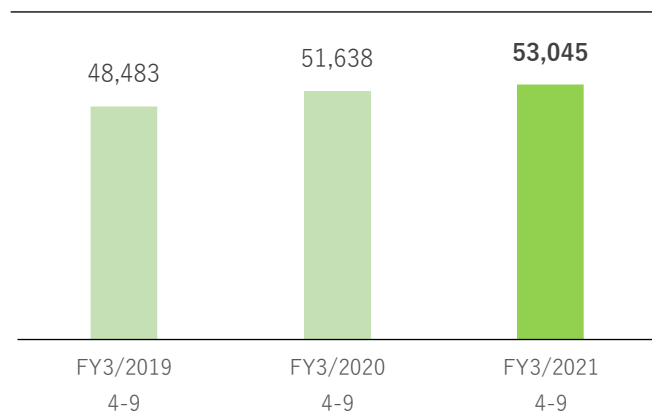
Due to the global spread of the novel coronavirus (COVID-19) and the resultant infection prevention measures taken by the government, clients mainly in the automotive-related sector temporarily suspended operations. This impact, however, mitigated early. In addition, UT Group consolidated five companies. These factors contributed to an increase in net sales in the first half. Nevertheless, as evidenced by some clients' production adjustment, which resulted in some reductions in personnel or cancellations but peaked in the second quarter, the client companies' overall manufacturing activities remained weak and personnel demand recovered only moderately. UT Group's mainstay Manufacturing Business was most affected by these factors and decreased sales and profit y-o-y, while the Solution Business increased sales and profit, thanks to a rise in unit price and contribution by newly-consolidated subsidiaries. The Engineering Business decreased sales due to a sale of business, associated with the business strategy review, but significantly increased profit, driven by improvement in operating efficiency and operating rate.

Major indicators

(Million yen)	FY3/2019	FY3/2020	Y-O-Y
Net sales	51,638	53,045	2.7%
EBITDA	4,139	3,870	-6.5%
Operating profit	3,862	3,515	-9.0%
Net profit attributable to UT Group	1,749	2,332	33.3%
EPS (Yen)	43.36	57.80	—
Number of technical employees (Persons)	20,302	20,985	3.4%

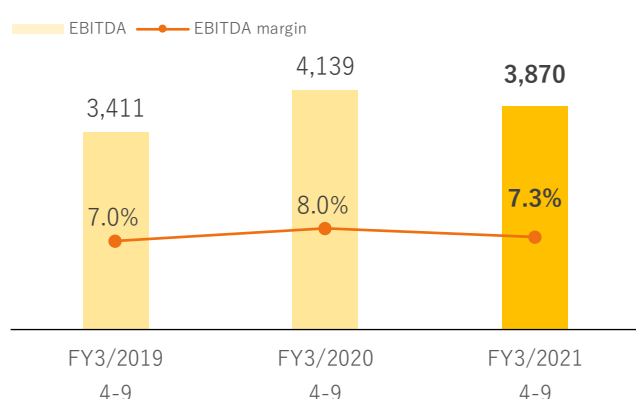
Net sales

(Million yen)



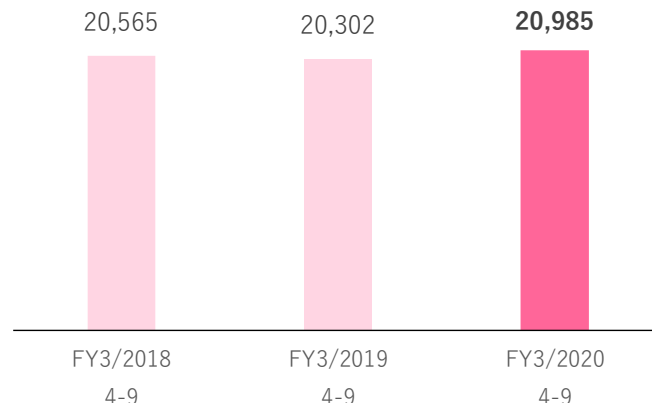
EBITDA

(Million yen)



Number of technical employees

(Persons)

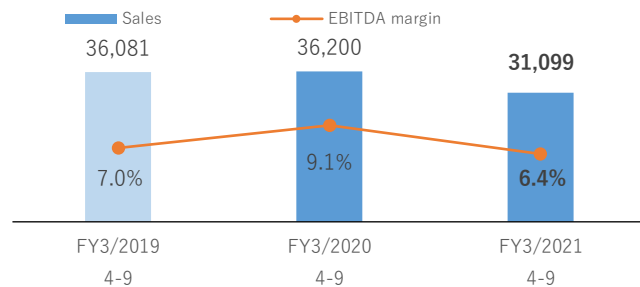


Results by Sector

Manufacturing Business

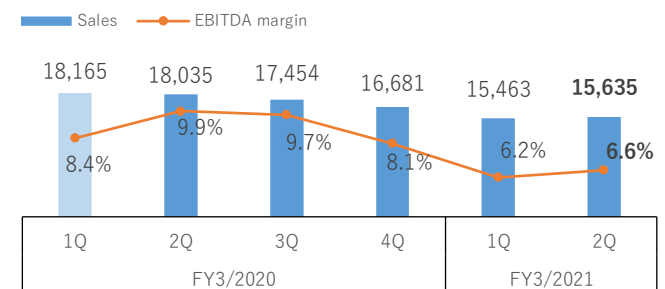
Sales and EBITDA margin

(Million yen)



Quarterly results

(Million yen)

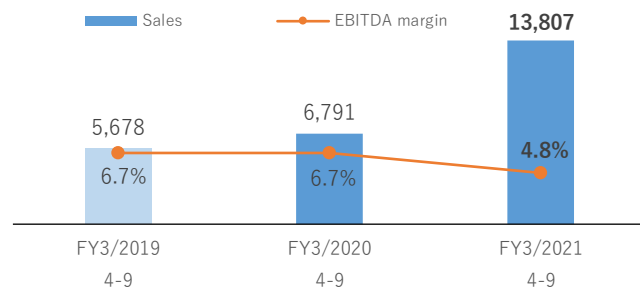


- Due to the spread of COVID-19, mainly the automotive-related sector experienced temporary suspension of factory operations by some clients, which eased in the 2Q but demand for additional workers has not fully recovered yet.
- The automotive-related sector significantly decreased sales, due to a complete change from the 1H of FY3/2020 when automobile demand was boosted prior to the consumption tax rate hike.
- The semiconductors and electronic components sector was less affected by suspension of operations but demand for personnel was stagnant.
- Absence of work orders, driven by temporary suspension of operations, came to a halt in the automotive-related sector but a time lag is expected for a full recovery in demand.

Solution Business

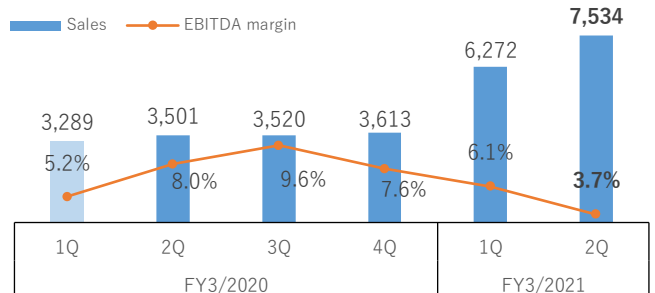
Sales and EBITDA margin

(Million yen)



Quarterly results

(Million yen)

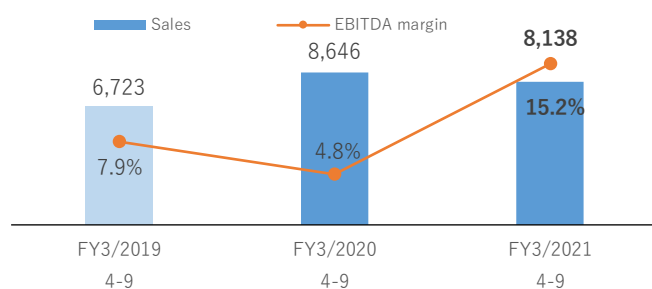


- In addition to a rise in unit price, associated with adherence to equal pay for equal work, consolidation of three Toshiba-affiliated companies in April and one Hitachi-affiliated company in July significantly boosted sales and the number of technical employees.
- Some client factories temporarily adjusted production due to the impact of the spread of COVID-19.

Engineering Business

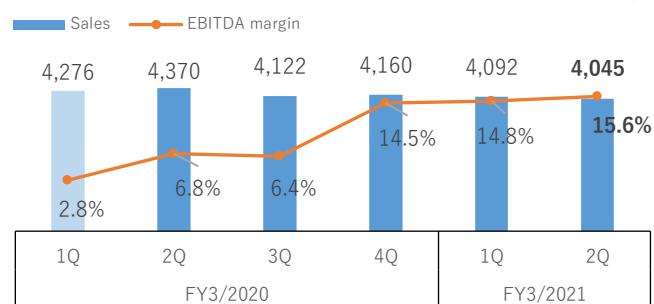
Sales and EBITDA margin

(Million yen)



Quarterly results

(Million yen)



- 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.

Outlook

UT Group has revised upward its consolidated earnings forecasts for fiscal 2020 and has disclosed a “Notice Concerning Revised Earnings Forecasts” (November 5, 2020).

Back in May 2020, the impact of the COVID-19 pandemic on Japan’s economic activities was difficult to forecast, and we therefor accounted for maximum risks and made the initial full-year earnings forecasts for FY3/2021 based on the assumption that the impact will persist throughout the year. Since the government’s lifting of a state of emergency in late May, Japan’s economic activities have been resuming in stages. UT Group is also experiencing a decline in closures caused by client companies’ suspension of operations mostly in our Manufacturing Business from its peak in the 1Q. In addition, client companies’ production activities and personnel demand have been recovering, albeit at a moderate pace, earlier than initially expected. Moreover, we have not incorporated in our earnings forecast compensation for loss of earnings, which we received from some clients. Based on these factors we have made more progress in earnings recovery than initially expected. Concerning client companies’ production trend in the second half of FY3/2021, we cautiously look at possible impacts by downward risks, such as a coronavirus second wave and production adjustment in the semiconductors and electronic components sector, driven by the U.S.-China trade problems. However, we are expecting demand for additional workers will strengthen from the second half to the next fiscal year. We thus plan to resume aggressive hiring activities. In light of these factors, we have revised upward the earnings forecasts for FY3/2021.

* The consolidated results forecast in this release is created based on information available at the present time, and the actual results may change in the future due to a variety of factors.

Other financial result-related documents are available on UT Group’s website.

<https://www.ut-g.co.jp/english/ir/library/FinancialReports/index.html>

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