



Summary of Consolidated Financial Statements **For the Nine Months of Fiscal Year Ending March 31, 2021** **(Japanese GAAP)**

February 5, 2021

Listed company name: UT Group Co., Ltd.

Stock Exchange Listing: Tokyo

Code number: 2146

URL: <https://www.ut-g.co.jp>

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Scheduled date of filing securities report: February 8, 2021

Schedule date of cash dividend payment: —

Supplemental material for the financial results provided: Yes

(Uploaded on the Company's website on February 5, 2021)

Results briefing for the period under review provided: No

(The briefing video to be uploaded on the Company's website on February 5, 2021)

(Note) This English translation of the summary of the financial statement was prepared for reference only and conforms to the original Japanese version.

(All amounts are rounded down to the nearest million yen.)

1. Consolidated Results for the Nine Months of FY3/2021 (April 1, 2020 – December 31, 2020)

(1) Consolidated Earnings Results

(Percentages indicate year-on-year changes.)

	Sales		Operating profit		Ordinary profit		Profit attributable to owners of the parent	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
FY3/2021 1-3Q	82,647	7.7	5,728	-4.1	5,745	-4.5	3,734	18.5
FY3/2020 1-3Q	76,736	1.6	5,974	1.6	6,014	1.6	3,150	-19.0

(Note) Comprehensive income: FY3/2021 1-3Q 3,766million yen (18.8%); FY3/2020 1-3Q 3,169million yen (-19.0%)

	Net profit per share	Net profit per share, diluted
	Yen	Yen
FY3/2021 1-3Q	92.52	—
FY3/2020 1-3Q	78.06	—

(2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio
	Million yen	Million yen	%
FY3/2021 1-3Q	51,337	19,552	36.3
FY3/2020	36,308	15,023	41.0

(Reference) Equity capital: FY3/2021 1-3Q 18,641million yen; FY3/2020 14,894million yen

2. Cash Dividends

(Record date)	Dividend per share				
	1Q-end	2Q-end	3Q-end	FY-end	Total
	Yen	Yen	Yen	Yen	Yen
FY3/2020	0.00	0.00	0.00	0.00	0.00
FY3/2021	0.00	0.00	0.00		
FY3/2021 (Plan)				—	—

(Notes) Revision of the dividend forecast disclosed recently: None

The dividend forecast for FY3/2021 is undecided.

3. Consolidated Forecasts for FY3/2021 (April 1, 2020 – March 31, 2021)

(Percentages indicate year-over-year changes.)

	Sales		Operating profit		Ordinary profit		Profit attributable to owners of the parent		Profit per share
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
Full year	108,800	7.5	6,000	-25.4	6,000	-26.1	3,700	-17.9	91.67

(Note) Revision of the earnings forecasts disclosed recently: None

* Notes

(1) Changes in significant subsidiaries during the period (changes in specified subsidiaries resulting in changes in scope of consolidation): Yes

Four new companies: UT Toshiba Co., Ltd.; Green Speed Joint Stock Company; Green Speed Co., Ltd.; and Seekel Holdings Co., Ltd.

Note: While not applicable to “changes in significant subsidiaries,” TBLS Service Business Corporation (changed corporate name to UT Business Service Co., Ltd.), Toshiba Information System Products Incorporated (UT System Products, Co., Ltd.) have been included in scope of consolidation since the first quarter of the current fiscal year, Mito Engineering Service Co., Ltd., from the second quarter, and Hoang Nhan Co., Ltd. and Seekel Co., Ltd., from the third quarter.

(2) Use of particular accounting procedures in preparation of quarterly consolidated financial statements: Yes

(3) Changes in accounting policies and accounting-based estimates, and restatements

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|---|------|
| (a) Changes in accounting policies due to revisions in accounting standards and others: | None |
| (b) Changes in accounting policies other than (a) above: | None |
| (c) Changes in accounting-based estimates: | None |
| (d) Restatements: | None |

(4) Number of outstanding shares (common stock)

(a) Number of shares outstanding at the end of the period (including treasury shares):

3Q of FY3/ 2021	40,363,067	FY3/2020	40, 363,067
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(b) Number of treasury shares at the end of the period:

3Q of FY3/ 2021	154	FY3/2020	117
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(c) Average number of shares outstanding during the period:

3Q of FY3/ 2021	40,362,915	3Q of FY3/ 2020	40,362,976
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* The Summary of Quarterly Consolidated Financial Statements is not subject to be reviewed by certified public accountants and auditing firms.

* Cautionary statement with respect to forecasts of future performance and other special items

Forecasts regarding future performance and other forward-looking statements in these materials are based on certain assumptions judged to be valid and information currently available to the Company. These statements are not promises by the Company regarding future performance. Actual performance may differ significantly from these forecasts for a number of reasons. For precautions on usage of forecasts of future performance, please refer to the section "1. Qualitative Information on Quarterly Financial Results, (3) Description of Consolidated Earnings Forecast and Other Forward-looking Information" on page 4 of the attachments.

The supplemental material for the financial results provided and the results briefing video are scheduled to be uploaded on the Company's website on February 5, 2021.

Attachments

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1. Qualitative Information on Financial Results for Current Third Quarter

(1) Overview of Results of Operations for Current Third Quarter

In the first nine months of the FY3/2021 (from April 1, 2020 to December 31, 2020), the Japanese economy showed some signs of recovery partly owing to impacts from various government policies and resumption of economic activities in stages following the government's lifting in late May of a state of emergency declared in response to COVID-19. More recently, however, resurgence of COVID-19 infections and the virus's prolonged spread are of increasing concern and there remains downward risks to the Japanese and overseas economy, as caused by the social and economic impacts of COVID-19. In the meantime, Japan's jobs-to-applicants ratio showed signs of bottoming out from hitting the low of 1.03 in September 2020 followed by an uptick to 1.06 in December 2020. The jobs-to-applicants ratio for the production process job category bottomed at 1.02 in August and substantially recovered to 1.25 by December.

In terms of the environment surrounding UT Group, the number of temporarily-suspended clients' factories has decreased since the lifting of the emergency state, and in the automobile-related sector, which was most significantly affected by the global COVID-19 outbreak, personnel demand has increased along with a recovery in production activities, driven by major automakers. The semiconductors and electronic components sector also showed signs of recovery in personnel demand, foreseeing growth in production of semiconductor manufacturing equipment and devices, driven by demand related to the next-generation wireless communication standard 5G.

In that environment, in May 2020 UT Group has formulated its Fourth Medium-term Business Plan for the period from the current FY3/2021 to FY3/2025. With a medium-term target of "creating a diversity & inclusion workstyle platform," the following three growth strategies have been devised: One-stop Strategy to provide personnel to large manufacturers; Area Platform Strategy; and Solution Strategy. In our core business of worker dispatch to large manufacturers, UT Group will enhance development of manufacturing engineers so as to expand its business domain and raise its share in all processes at client factories. In addition, the Company aims to strengthen and expand its business by establishing a stable employment environment in local workplaces via alliances with and M&As of local major companies. The Company further expands and strengthens its business base by supporting human resources mobilization of large corporate groups.

Since the start of FY3/2021, UT Group has focused on business infrastructure enhancement, which included activities for making proposals to clients and establishment of an area-specific hiring base arrangement, so as to be better prepared for a full recovery in personnel demand. As the client companies' production activities began to recover in the fall, the UT Group saw improvement in its order accepting situation and has made further groupwide efforts in hiring activities.

In October 2020, Green Speed Joint Stock Company became a consolidated subsidiary of UT Group. This company fully owns Green Speed Co., Ltd. and Hoang Nhan Co., Ltd., both of which are engaged in personnel dispatch business in Vietnam. In November 2020, Seekel Holdings Co., Ltd. also became a consolidated subsidiary of UT Group. The company owns Seekel Co., Ltd., which is engaged in personnel dispatch business mainly in Ibaraki Prefecture, an area with a concentration of major manufacturers.

As a result, in the first nine months of the FY3/2021, UT Group recorded net sales of 82,647 million yen (up 7.7% from 76,736 million yen year-on-year), operating profit of 5,728 million yen (down 4.1% from 5,974 million yen), ordinary profit of 5,745 million yen (down 4.5% from 6,014 million yen), and profit attributable to owners of the parent of 3,734 million yen (up 18.5% from 3,150 million yen). The number of technical employees was 22,465 (up 2,439 from 20,026 a year ago).

(Manufacturing Business)

In the Manufacturing Business, clients' suspension of factory operations in the automobile-related sector—the most severely affected sector by the COVID-19 spread, came to a halt and personnel demand has since been recovering strong along with a recovery in production activities. In the semiconductors and electronic components sector, personnel demand was also robust thanks to an increase in demand related to the next-generation wireless communication standard 5G and telework. Given such situation, UT Group made efforts in hiring activities, which led to a reverse in the number of technical employees into an increase, with additional contribution by Seekel Holdings, a newly-consolidated company in November 2020.

As a result, in the first nine months of the FY3/2021, the segment recorded net sales of 48,937 million yen (down 9.1% from 53,814 million yen year-on-year) and segment profit of 2,796 million yen (down 40.5% from 4,697 million yen), while the number of technical employees was 15,475 (up 1,066 from 14,409 a year ago).

(Solution Business)

In the Solution Business, impacts from production adjustment and other measures taken by some clients, due to the COVID-19 spread, came to a halt and personnel demand has since been recovering. In addition, the unit price has increased, associated with adherence to the principle of equal pay for equal work. As a result, the number of technical employees as well as net sales and profit increased substantially. Moreover, UT Toshiba Co., Ltd., UT Business Service Co., Ltd., and UT System Products Co., Ltd., all of which were group companies of Toshiba Corporation, became consolidated subsidiaries of UT Group on April 1, 2020, and Mito Engineering Service Co., Ltd., a Hitachi Group company, also became a consolidated subsidiary of UT Group on July 1, 2020. These companies also contributed to growth in segment sales and profit.

As a result, in the first nine months of the FY3/2021, the segment recorded net sales of 21,553 million yen (up 109.0% from 10,315 million yen year-on-year), segment profit of 1,082 million yen (up 41.3% from 766 million yen), and the number of technical employees of 4,448 (up 1,635 from 2,813 a year ago).

(Engineering Business)

In the Engineering Business, as a part of the business strategy review, sale of all shares of our Web-development subsidiary Lei Hau'oli in January 2020 and difficulty in implementing our internal system that encourages employee status transfer from manufacturing operators to engineers, One UT, under conditions imposed by the COVID-19 pandemic led to a decline in segment sales and the number of technical employees. In the meantime, segment profit increased substantially thanks to 1) robust demand for field engineers and equipment maintenance operators mainly from clients in the manufacturing field, 2) improvement in operating efficiency, driven by the reorganization of operating companies, and 3) a review of a support and placement system for new hires, which led to their earlier start in assignment and improved operating rate. demand for field engineers and equipment maintenance operators was solid mainly from clients in the manufacturing field.

As a result, in the first nine months of the FY3/2021, the segment recorded net sales of 12,196 million yen (down 4.5% from 12,768 million yen year-on-year) and segment profit of 1,862 million yen (up 219.6% from 582 million yen), while the number of technical employees was 2,542 (down 262 from 2,804 a year ago).

(2) Overview of Financial Position for Current Third Quarter

(Assets)

Current assets as of the end of the current third quarter increased by 11,468 million yen from the end of the previous fiscal year to 43,410 million yen. This was mainly due to a 7,967 million yen increase in cash and deposits and a 3,084 million yen increase in notes and accounts receivable - trade. Non-current assets increased by 3,560 million yen to 7,927 million yen, mainly due to increases of 2,658 million yen in goodwill and 379 million yen in deferred tax assets. As a result, total assets increased by 15,029 million yen from the end of the previous fiscal year to 51,337 million yen.

(Liabilities)

Current liabilities as of the end of the current third quarter increased by 6,638 million yen from the end of the previous fiscal year to 20,915 million yen. This was mainly due to increases of 2,144 million yen in notes and accounts payable – trade, 2,070 million yen in accrued expenses, and 1,310 million yen in income taxes payable. Non-current liabilities amounted to 10,869 million yen, up 3,861 million yen, mainly due to a 3,118 million yen increase in long-term loans payable. In sum, total liabilities were 31,784 million yen, up 10,499 million yen from the end of the previous fiscal year.

(Net assets)

Net assets as of the end of the current third quarter were 19,552 million yen, up 4,529 million yen from the end of the previous fiscal year. This was mainly contributed by profit attributable to owners of the parent of 3,734 million yen and share acquisition rights of 603 million yen. As a result, the equity ratio was 36.3%, compared to 41.0% at the end of the previous fiscal year.

(3) Description of Consolidated Earnings Forecast and Other Forward-looking Information

UT Group's consolidated forecasts for FY3/2021 remain unchanged, as announced on November 5, 2020.

2. Quarterly Consolidated Financial Statements and Significant Notes

(1) Quarterly Consolidated Balance Sheets

(Million yen)

	End of FY3/2020 (As of March 31, 2020)	End of third quarter of FY3/2021 (As of December 31, 2020)
Assets		
Current assets		
Cash and deposits	18,415	26,382
Notes and accounts receivable - trade	12,342	15,426
Merchandise and products	—	69
Work in process	—	33
Raw materials and supplies	3	82
Other	1,230	1,480
Allowance for doubtful accounts	(49)	(64)
Total current assets	31,941	43,410
Non-current assets		
Property, plant and equipment	282	374
Intangible assets		
Goodwill	1,598	4,257
Lease assets	11	11
Software	622	595
Other	308	699
Total intangible assets	2,541	5,563
Investments and other assets		
Investment securities	6	13
Long-term loans receivable	6	20
Long-term prepaid expenses	1	10
Deferred tax assets	1,066	1,446
Other	518	554
Allowance for doubtful accounts	(55)	(57)
Total investments and other assets	1,543	1,988
Total non-current assets	4,366	7,927
Total assets	36,308	51,337

(Million yen)

	End of FY3/2020 (As of March 31, 2020)	End of third quarter of FY3/2021 (As of December 31, 2020)
Liabilities		
Current liabilities		
Notes and accounts payable - trade	—	2,144
Short-term loans payable	250	153
Current portion of long-term loans payable	1,785	2,383
Accounts payable	800	1,270
Accrued expenses	5,353	7,423
Lease obligations	3	2
Income taxes payable	264	1,575
Accrued consumption taxes	2,245	2,471
Provision for bonuses	1,270	946
Provision for directors' bonuses	36	304
Deposits received	2,208	2,170
Other	58	69
Total current liabilities	14,277	20,915
Non-current liabilities		
Long-term loans payable	6,742	9,860
Lease obligations	8	17
Net defined benefit liability	151	737
Deferred tax liability	68	200
Other	38	53
Total non-current liabilities	7,088	10,869
Total liabilities	21,285	31,784
Net Assets		
Shareholders' equity		
Capital stock	686	686
Capital surplus	422	422
Retained earnings	13,791	17,525
Treasury shares	(0)	(0)
Total shareholders' equity	14,900	18,634
Accumulated other comprehensive income		
Valuation difference on other securities	—	0
Foreign currency translation adjustment	—	12
Remeasurements of defined benefit plans	(5)	(5)
Total accumulated other comprehensive income	(5)	7

Share acquisition rights	—	603
Non-controlling interests	129	307
Total net assets	15,023	19,552
Total liabilities and net assets	36,308	51,337

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

(Million yen)

	3Q of FY3/2020 (April 1, 2019 - December 31, 2019)	3Q of FY3/2021 (April 1, 2020 - December 31, 2020)
Net sales	76,736	82,647
Cost of sales	61,670	66,943
Gross profit	15,065	15,703
Selling, general and administrative expenses	9,090	9,975
Operating profit	5,974	5,728
Non-operating income		
Interest income	0	1
Insurance bonus	—	19
Subsidies for employment adjustment	71	105
Other	7	17
Total non-operating income	79	144
Non-operating expenses		
Interest expenses	22	35
Loss from foreign exchange	—	71
Commission fee	13	4
Other	4	16
Total non-operating expenses	39	127
Ordinary profit	6,014	5,745
Extraordinary income		
Gain on sales of shares of subsidiaries and affiliates	8	—
Total extraordinary income	8	—
Extraordinary losses		
Loss on retirement of non-current assets	—	4
Expenses related to reorganization	—	8
25 th anniversary expenses	72	—
One-off cost due to the change in the ESOP-type Stock Benefit Trust Plan	1,180	—
Other	14	—
Total extraordinary losses	1,267	12
Net profit before income taxes and other adjustments	4,755	5,732
Income taxes	1,586	1,980
Net profit	3,169	3,751
Net profit attributable to non-controlling interests	18	17
Net profit attributable to owners of the parent	3,150	3,734

(Quarterly Consolidated Statements of Comprehensive Income)

(Million yen)

	3Q of FY3/2020 (April 1, 2019 - December 31, 2019)	3Q of FY3/2021 (April 1, 2020 - December 31, 2020)
Net profit	3,169	3,751
Other comprehensive income		
Valuation difference on other securities	—	0
Foreign currency translation adjustment	—	13
Adjustment related to retirement benefits	0	0
Total other comprehensive income	0	14
Comprehensive income	3,169	3,766
(Comprehensive income attributable to)		
Comprehensive income attributable to owners of the parent	3,151	3,747
Comprehensive income attributable to non-controlling interests	18	18

(3) Notes to the Quarterly Consolidated Financial Statements**(Note on the Assumption as a Going Concern)**

Not applicable

(Notes in Case of Significant Change in the Amount of Shareholders' Equity)

1. Previous third quarter of FY3/2020 (from April 1, 2019, to December 31, 2019)

(1) Items concerning dividend

Resolved	Type of stock	Total amount of dividends (Million yen)	Dividend per share (Yen)	Record date	Effective date	Dividend source
Board of Directors, held on May 9, 2019	Common stock	2,499	61.93	March 31, 2019	June 24, 2019	Retained earnings

Note: The dividend per share is comprised of 36.93 yen in ordinary dividend and 25.00 yen in commemorative dividend.

(2) Significant change in the amount of shareholders' equity

Not applicable

2. Current second quarter of FY3/2021 (from April 1, 2020, to December 31, 2020)

(1) Items concerning dividend

Not applicable

(2) Significant change in the amount of shareholders' equity

Not applicable

(Application of special accounting methods for presenting consolidated financial statements)**(Calculation of tax expenses)**

Tax expenses are calculated by multiplying net pre-tax profits for the quarter by the estimated effective tax rate. Note that the "estimated effective tax rate" is a reasonable estimation of the effective tax rate after tax effect accounting has been applied to pre-tax net profits for the consolidated fiscal year, including the current quarter.

Note that in the absence of any significant rationality for calculating tax expenses using an estimated effective tax rate, the expenses should be calculated by using the statutory effective tax rate.

(Segment Information)**I Previous third quarter of FY3/2020 (from April 1, 2019 to December 31, 2019)**

1. Sales and profit (loss) by segment

(Million yen)

	Reportable Business Segments				Adjustment amount ¹	Amounts on the consolidated statements ²
	Manufacturing Business	Solution Business	Engineering Business	Total		
Sales						
Sales to clients	53,655	10,312	12,768	76,736	—	76,736
Inter-segment sales or transfers	159	3	—	162	(162)	—
Total	53,814	10,315	12,768	76,898	(162)	76,736
Segment profit (loss)	4,697	766	582	6,046	(71)	5,974

Notes: (1) Adjustment to segment profit (loss) of -71 million is elimination of inter-segment transactions.

(2) Segment profit is adjusted to correspond to operating profit in the consolidated statements of income.

2. Impaired loss on fixed assets or goodwill by segment

Not applicable

II Current third quarter of FY3/2021 (from April 1, 2020 to December 31, 2020)

1. Sales and profit (loss) by segment

(Million yen)

	Reportable Business Segments				Adjustment amount ¹	Amounts on the consolidated statements ²
	Manufacturing Business	Solution Business	Engineering Business	Total		
Sales						
Sales to clients	48,898	21,551	12,196	82,647	—	82,647
Inter-segment sales or transfers	38	2	—	40	(40)	—
Total	48,937	21,533	12,196	82,687	(40)	82,647
Segment profit (loss)	2,796	1,082	1,862	5,741	(13)	5,728

Notes: (1) Adjustment to segment profit (loss) of -13 million is elimination of inter-segment transactions.

(2) Segment profit is adjusted to correspond to operating profit in the consolidated statements of income.

2. Impaired loss on fixed assets or goodwill by segment

(Significant change in the amount of goodwill)

UT Group acquired in its Solution Business Segment all shares of TBLS Service Business Corporation and Toshiba Information System Products Incorporated and 80% of shares of Toshiba Office Mate Co., Ltd. on April 1, 2020, and Mito Engineering Service Co., Ltd. on July 1, 2020. All these companies have been included in the scope of consolidation.

In the Manufacturing Business Segment, Seekel Holdings Co., Ltd. has also been included in the the scope of consolidation, after all its shares were acquired by UT Group on November 30, 2020. Seekel Holdings fully owns Seekel Co., Ltd. In addition, Green Speed Joint Stock Company, 51% of which shares were acquired by UT Group on October 22, 2020, will be included in the scope of consolidated from the fourth quarter of the current fiscal year, as the company, as well as its fully-owned subsidiaries—Green Speed Co., Ltd. and Hoang Nhan Co., Ltd. —have their fiscal year end in December.

The above accounting treatment has increased goodwill by 2,518 million yen in the first nine months of FY3/2021.