



Summary of Consolidated Financial Statements For the Fiscal Year Ended March 31, 2021 (Japanese GAAP)

May 10, 2021

Listed company name: UT Group Co., Ltd.

Stock exchange listing: Tokyo

Code number: 2146

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

Representative: Yoichi Wakayama, President, Representative Director & CEO

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Scheduled date of ordinary general meeting of shareholders: June 26, 2021

Scheduled date of cash dividend payment: June 28, 2021

Scheduled date of filing securities report: June 28, 2021

Supplemental material for the financial results provided: Yes (uploaded on the Company's website on May 10, 2021)

Results briefing for the period under review provided: Yes (for institutional investors and analysts to be held on May 11, 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 FY3/2021 (April 1, 2020 – March 31, 2021)

(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	115,131	13.8	7,163	(10.9)	7,191	(11.4)	4,299	(4.6)
FY3/2020	101,191	0.1	8,040	(0.5)	8,113	(0.7)	4,509	(9.2)

(Note) Comprehensive income: FY3/2021 4,326 million yen (-4.6%); FY3/2020 4,537 million yen (-9.3%)

	Net profit per share	Net profit per share, diluted	Net profit to equity	Ordinary profit to total assets	Operating profit to sales
	Yen	Yen	%	%	%
FY3/2021	106.53	—	25.3	16.2	6.2
FY3/2020	111.71	—	32.5	23.2	7.9

(Reference) Equity income of equity-method affiliates: FY3/2021 — million yen; FY3/2020 — million yen

(2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio	Net assets per share
	Million yen	Million yen	%	Yen
FY3/2021	52,666	20,198	36.2	472.90
FY3/2020	36,308	15,023	41.0	369.01

(Reference) Equity capital: FY3/2021 19,087 million yen; FY3/2020 14,894 million yen

(3) Consolidated Cash Flows

	Cash flow from operating activities	Cash flow from investing activities	Cash flow from financing activities	Cash and cash equivalents, end of the period
	Million yen	Million yen	Million yen	Million yen
FY3/2021	6,654	(2,413)	2,613	25,266
FY3/2020	3,509	(805)	721	18,415

2. Cash Dividends

	Dividend per share					Total amount of dividends (annual)	Payout ratio (consol.)	Dividends to net assets
	1Q-end	2Q-end	3Q-end	FY-end	Total			
	Yen	Yen	Yen	Yen	Yen	Million yen	%	%
FY3/2020	0.00	0.00	0.00	0.00	0.00	—	—	—
FY3/2021	0.00	0.00	0.00	66.00	66.00	2,663	62.0	15.7
FY3/2021 (Plan)	—	—	—	—	—	—	—	—

(Notes) Breakdown of the year-end dividend for FY3/2021: common dividend 32.00 yen, special dividend 34.00 yen
The dividend forecast for FY3/2022 is undecided.

3. Consolidated Forecasts for FY3/2022 (April 1, 2021 – March 31, 2022)

(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	150,000	30.3	8,000	11.7	8,000	11.2	4,800	11.6	118.92

* Notes

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

One new company: 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) Changes in accounting policies and accounting-based estimates, and restatements

- | | |
|---|------|
| (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 |

(3) Number of outstanding shares (common stock)

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

As of March 31, 2021	40,363,067	As of Mar. 31, 2020	40,363,067
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(b) Number of treasury shares at the end of the period:

As of March 31, 2021	154	As of Mar. 31, 2020	117
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(c) Average number of shares outstanding during the period:

FY3/2021	40,362,915	FY3/2020	40,362,970
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(Reference) Summary of the Non-Consolidated Results

Non-Consolidated Results for FY3/2021 (April 1, 2020 March 31, 2021)

(1) Non-consolidated Earnings Results

(Percentages represent year-on-year changes.)

	Sales		Operating profit		Ordinary profit		Net profit	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
FY3/2021	11,451	6.3	6,658	0.4	6,545	(0.8)	6,551	1.2
FY3/2020	10,770	28.3	6,630	64.9	6,598	65.5	6,473	94.9

	Net profit per share	Net profit per share, diluted
	Yen	Yen
FY3/2021	162.30	—
FY3/2020	160.38	—

(2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio	Net assets per share
	Million yen	Million yen	%	Yen
FY3/2021	31,927	16,864	50.9	402.88
FY3/2020	21,647	9,710	44.9	240.58

(Reference) Equity capital: FY3/2021 16,261 million yen; FY3/2020 9,710 million yen

* The Summary of Consolidated Financial Statements is not subject to be reviewed by certified public accountants and auditing firms.

* Explanation concerning appropriate use of earnings forecasts and other notes

(Cautionary statement with respect to forecasts of future performance and other 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. Actual performance may differ significantly from these forecasts due to risks and uncertain factors concerning future economic conditions, market fluctuations, etc.

(How to receive the supplemental material for the financial results and the results briefing video)

The results briefing video and the supplemental material for the financial results are scheduled to be uploaded on the Company's website on May 10, 2021.

Attachments

Contents

1. Qualitative Information on Financial Results	2
(1) Overview of Results of Operations for Current Fiscal Year	2
(2) Overview of Financial Position for Current Fiscal Year	4
(3) Overview of Cash Flows for Current Fiscal Year	5
(4) Outlook for Next Fiscal Year	6
(5) Basic policy on profit distribution and dividends for the current term and next term	6
2. Basic Policy on Selection of Accounting Standard	7
3. Consolidated Financial Statements and Significant Notes	8
(1) Consolidated Balance Sheets	8
(2) Consolidated Statements of Income and Consolidated Statements of Comprehensive Income	11
(3) Consolidated Statements of Changes in Shareholders' Equity	14
(4) Consolidated Statements of Cash Flows	16
(5) Notes on the Consolidated Financial Statements	19
(Notes on the Assumption as a Going Concern)	19
(Segment Information)	19
(Per Share Data)	22
(Significant Subsequent Events)	23

1. Qualitative Information on Financial Results for Current Fiscal Year

(1) Overview of Results of Operations for Current Fiscal Year

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 the core business of worker dispatch to large manufacturers, we 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, we aim to strengthen and expand our business by establishing a stable employment environment in local workplaces via alliances with and M&As of local major companies. By setting targets for the final fiscal year at 200 billion yen in sales and 20-30 billion yen in EBITDA, we will strive to continuously improve corporate value through high growth.

In FY3/2021 (from April 1, 2020 to March 31, 2021), the Japanese economy temporarily showed some signs of recovery owing to impacts from various government policies against the spread of COVID-19 but more recently, concerns about a rebound and a prolonged spread of COVID-19 infections increased and the economic outlook continued to be uncertain.

In terms of the environment surrounding UT Group, the number of temporarily-suspended clients' factories has decreased since the lifting of the emergency state in May 2020, 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, in response to growth in production of semiconductor manufacturing equipment and devices, driven by an increase in semiconductor demand for automobiles and demand related to the next-generation wireless communication standard 5G.

In FY3/2021, although the impact of a temporary suspension of operations at the clients' factories had occurred until the second quarter, the order environment for the UT Group has significantly improved with the recovery of clients' production activities since the fall of 2020. In the Manufacturing Business, which is a core business, we have been engaged in aggressive hiring activities throughout the Group companies with the aim of recruiting 1,000 people per month in order to respond quickly to the personnel demand of client companies at a potential full-scale recovery stage in production activities. In addition, under the Area Platform Strategy and Solution Strategy set forth in the Medium-term Business Plan, we have promoted alliances with and M&As of local leading companies, acceptance of personnel from major corporate groups, and business transfer. In FY3/2021, nine companies joined the UT Group as consolidated subsidiaries.

As a result, in FY3/2021, UT Group recorded net sales of 115,131 million yen (up 13.8% from 101,191 million yen in FY3/2020), operating profit of 7,163 million yen (down 10.9% from 8,040 million yen), ordinary profit of 7,191 million yen (down 11.4% from 8,113 million yen), and profit attributable to owners of the parent of 4,299 million yen (down 4.6% from 4,509 million yen). The number of technical employees was 37,012 (up 17,378 from 19,634 a year ago).

Segment results were as follows.

(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 by the end of the second quarter 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 semiconductor demand for automobiles and demand related to the next-generation wireless communication standard 5G and telework. In response to this increase in personnel demand at client companies, UT Group made efforts in hiring activities and the

number of employees who joined the company was increased. In November 2020, Seekel Holdings Co., Ltd. and Seekel Co., Ltd. became consolidated subsidiaries of UT Group. These have resulted in a significant increase in the number of technical employees. In addition, since January 2021, Green Speed Joint Stock Company, which owns 100% of the shares of Green Speed Co., Ltd. and Hoang Nhan Co., Ltd., which have been engaged in the staffing business in Vietnam, has become a consolidated subsidiary. As a result, the Manufacturing Business has begun to increase quarterly sales since the third quarter. Segment profit, however, decreased y-o-y due to a significant increase in hiring expenses, which were positioned as advance investment.

As a result, in FY3/2021, the Manufacturing Business segment recorded net sales of 69,252 million yen (down 1.8% from 70,527 million yen in the previous fiscal year) and segment profit of 3,437 million yen (down 42.2% from 5,951 million yen), while the number of technical employees was 29,956 (up 15,912 from 14,044 a year ago). Excluding Green Speed Joint Stock Company, Green Speed and Hoang Nhan, stated above, the segment's domestic net sales were 67,503 million yen (down 4.1% from 70,527 million yen in the previous fiscal year) and segment profit was 3,385 million yen (down 43.1% from 5,951 million yen), while the number of technical employees was 16,680 (up 2,636 from 14,044 a year ago).

(Solutions 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, mainly at UT Pabec, which is specialized in battery manufacturing. 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 segment 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 increase in segment sales and profit.

As a result, in FY3/2021, the segment recorded net sales of 29,717 million yen (up 113.3% from 13,930 million yen in the previous fiscal year), segment profit of 1,309 million yen (up 27.0% from 1,031 million yen), and the number of technical employees of 4,469 (up 1,499 from 2,970 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 FY3/2021, the segment recorded net sales of 16,218 million yen (down 4.2% from 16,929 million yen in the previous year) and segment profit of 2,431 million yen (up 111.0% from 1,152 million yen), while the number of technical employees was 2,587 (down 33 from 2,620 a year ago).

(2) Overview of Financial Position for Current Fiscal Year

(Assets)

Current assets as of the end of the current fiscal year increased by 12,037 million yen from the end of the previous fiscal year to 43,979 million yen. This was mainly due to a 6,851 million yen increase in cash and deposits and a 4,420 million yen increase in notes and accounts receivable - trade. Non-current assets increased by 4,320 million yen to 8,687 million yen, mainly due to a 2,406 million yen increase in goodwill, 876 million yen increase in investment securities, and a 198 million yen in deferred tax assets.

As a result, total assets increased by 16,358 million yen from the end of the previous fiscal year to 52,666 million yen.

(Liabilities)

Current liabilities as of the end of the current fiscal year increased by 8,287 million yen from the end of the previous fiscal year to 22,564 million yen. This was mainly due to increases of 2,517 million yen in notes and accounts payable-trade, 1,753 million yen in accrued expenses, 824 million yen in provision for bonuses, 790 million yen in accounts payable-other, 670 million yen in deposits received, and 596 million yen in accrued consumption taxes.

Non-current liabilities amounted to 9,904 million yen, up 2,896 million yen from the end of the previous fiscal year. This was mainly due to a 2,421 million yen increase in long-term loans payable.

In sum, total liabilities were 32,468 million yen, up 11,183 million yen from the end of the previous fiscal year.

(Net assets)

Net assets as of the end of the current fiscal year were 20,198 million yen, up 5,174 million yen from the end of the previous fiscal year. This was mainly due to 4,299 million yen in profit attributable to owners of the parent and 602 million yen in share acquisition rights.

As a result, the equity ratio was 36.2%, compared to 41.0% at the end of the previous fiscal year.

(3) Overview of Cash Flows for Current Fiscal Year

Cash and cash equivalents at the end of the current fiscal year were 25,266 million yen (up 6,851 million yen from the end of the previous fiscal year).

The cash flow conditions for the current fiscal year and reasons for increases or decreases are explained below.

(Cash flow from operating activities)

Cash flow provided by operating activities amounted to 6,654 million yen (compared to 3,509 million provided in the previous fiscal year). This was mainly attributable to the recording of 7,000 million yen in net profit before income taxes and other adjustments.

(Cash flow from investing activities)

Cash flow used in investing activities was 2,413 million yen (compared to 805 million yen used in the previous fiscal year), mainly due to 2,591 million yen in payments for purchase of subsidiary shares associated with change in scope of consolidation.

(Cash flow from financing activities)

Cash flow provided by financing activities totaled 2,613 million yen (compared to 721 million yen provided in the previous fiscal year), mainly due to 5,003 million yen in proceeds from long-term loans payable, which more than offset 2,839 million yen in repayments of long-term loans payable.

(Reference) Cash flow information

	FY3/2021
Equity ratio (%)	36.2
Equity ratio, at market value (%)	278.6
Ratio of interest-bearing debts to cash flow (%)	176.2
Interest coverage ratio (times)	121.3

Equity ratio: Shareholders' equity / Total assets

Equity ratio, at market value: Market capitalization / Total assets

Ratio of interest-bearing debts to cash flow: Interest-bearing debts / Cash flow

Interest coverage ratio: Cash flow / Interests paid

(Notes)

- 1) All indicators above are calculated using the consolidated results.
- 2) Total market capitalization is calculated using the number of outstanding shares less treasury shares.
- 3) The cash flow stated above uses cash flow from operating activities.
- 4) Interest-bearing debts cover all debt on the consolidated balance sheet for which interest is paid.

(4) Outlook for Next Fiscal Year

As for FY3/2022 (from April 1, 2021 to March 31, 2022), at the present time, the spread of COVID-19 infection is expected to gradually settle as vaccinations are progressing in each country, but the impact on economic activity is expected to continue to a certain degree. In addition, although demand for end products such as automobiles and smartphones is strong, the global shortage of semiconductor supplies could be a bottleneck, causing temporary delays in production of these end products. In the meantime, personnel demand is expected to remain strong, as the large manufacturing industry, which is a major client base for UT Group, is experiencing tight labor conditions to respond to production plans.

UT Group has set an EBTIDA target of 20-30 billion yen for the final year of the fourth Medium-Term Management Plan announced in May 2020. In order to achieve this target, it would be essential to achieve EBITDA of 15 billion yen in FY3/ 2023, which is a turning point of the plan period. Therefore, in anticipation of the recovery of economic activities, driven by the present increase in personnel demand and the progress of vaccinations, we will focus on increasing share and sales in FY3/2022 with the aim of achieving 15 billion yen in EBITDA in FY3/2023, one year ahead of originally-planned FY3/2024.

With regard to hiring activities, which is a major driver of sales growth, UT Group aims to regularly employ 1,000 people a month and 12,000 people a year. While employment-related expenses is expected to increase as a result of strengthening of hiring activities, we will seek to improve hiring efficiency throughout the year, taking into account the target to achieve 15 billion yen in EBITDA in FY3/2023. We will also continue to promote the Area Platform Strategy as well as alliances with and M&As of local major companies.

In sum, as for forecasts for FY3/2022, we are projecting consolidated net sales of 150,000 million yen (up 30.3% from the previous fiscal year), operating profit of 8,000 million yen (up 11.7%), ordinary profit of 8,000 million yen (up 11.2%), and net profit attributable to owners of the parent of 4,800 million yen (up 11.6%).

* The above forecasts are based on information available as of the date this summary was published. Various factors may cause the actual results to differ from these projections.

(5) Basic policy on profit distribution and dividends for the current term and next term

UT Group's management goal is to "establish a stable financial base and actively develop our business to continuously improve corporate value through high growth." In addition, the continuous return of profits to shareholders is considered an important management issue. With a total return ratio of 30% as our baseline target, we have a policy to make overall judgment of share price level, business environment, and other factors and to deliver optimal shareholder returns through dividend payment or share buyback that helps to improve capital efficiency.

We will use the internal retention funds effectively to strengthen our corporate structure and actively develop our business in response to future changes in the business environment.

As for the return to shareholders for FY3/2021, we will pay a regular dividend of 32 yen per share, 30% of profit attributable to owners of the parent, in accordance with the above policy.

In addition, we will pay the special dividend of 34 yen per share, which is equivalent to 30% of profit attributable to owners of the parent for FY3/2021. In the previous term, we forwent return to shareholders, in order to be prepared for unexpected conditions caused by the spread of COVID-19 but have now assumed little risk in substantial deterioration of business environment determined.

In accordance with the above shareholders' return policy, we plan to distribute profits to shareholders by a total return ratio of 30% or more, based on the combination of dividend payment or share buyback, taking into account the company's operating performance and the trends in the stock market.

2. Basic Policy on Selection of Accounting Standard

UT Group adopts the Japanese Accounting Standards in order to facilitate comparison with our competitors in Japan.

3. Consolidated Financial Statements and Significant Notes**(1) Consolidated Balance Sheets**

(Million yen)

	End of FY3/2020 (As of March 31, 2020)	End of FY3/2021 (As of March 31, 2021)
Assets		
Current assets		
Cash and deposits	18,415	25,266
Notes and accounts receivable - trade	12,342	16,762
Merchandise and products	—	25
Work in process	—	7
Raw materials and supplies	3	52
Other	1,230	1,907
Allowance for doubtful accounts	(49)	(42)
Total current assets	31,941	43,979
Non-current assets		
Property, plant and equipment		
Buildings and structures	340	484
Accumulated depreciation	(109)	(144)
Buildings and structures, net	231	339
Other	154	331
Accumulated depreciation	(103)	(207)
Other, net	51	124
Total property, plant and equipment	282	464
Intangible assets		
Goodwill	1,598	4,005
Lease assets	11	8
Software	622	585
Other	308	942
Total intangible assets	2,541	5,541
Investments and other assets		
Investment securities	6	882
Long-term loans receivable	6	17
Long-term prepaid expenses	1	13
Deferred tax assets	1,066	1,264
Other	518	559
Allowance for doubtful accounts	(55)	(56)
Total investments and other assets	1,543	2,681
Total non-current assets	4,366	8,687
Total assets	36,308	52,666

(Million yen)

	End of FY3/2020 (As of March 31, 2020)	End of FY3/2021 (As of March 31, 2021)
Liabilities		
Current liabilities		
Notes and accounts payable - trade	—	2,517
Short-term loans payable	250	191
Current portion of long-term loans payable	1,785	2,328
Accounts payable	800	1,590
Accrued expenses	5,353	7,106
Lease obligations	3	9
Income taxes payable	264	855
Accrued consumption taxes	2,245	2,841
Provision for bonuses	1,270	2,095
Provision for directors' bonuses	36	94
Deposits received	2,208	2,878
Other	58	53
Total current liabilities	14,277	22,564
Non-current liabilities		
Long-term loans payable	6,742	9,163
Lease obligations	8	29
Net defined benefit liability	151	534
Deferred tax liability	68	114
Other	38	62
Total non-current liabilities	7,008	9,904
Total liabilities	21,285	32,468
Net Assets		
Shareholders' equity		
Capital stock	686	686
Capital surplus	422	338
Retained earnings	13,791	18,091
Treasury shares	(0)	(0)
Total shareholders' equity	14,900	19,116
Accumulated other comprehensive income		
Valuation difference on other securities	—	0
Foreign currency translation adjustment	—	(28)
Remeasurements of defined benefit plans	(5)	—
Total accumulated other comprehensive income	(5)	(28)
Share acquisition rights	—	602
Non-controlling interests	129	507

Total net assets	15,023	20,198
Total liabilities and net assets	36,308	52,666

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

(Million yen)

	FY3/2020 (April 1, 2019 March 31, 2020)	FY3/2021 (April 1, 2020 March 31, 2021)
Net sales	101,191	115,131
Cost of sales	81,184	93,529
Gross profit	20,006	21,602
Selling, general and administrative expenses		
Compensation for directors	251	317
Salaries and bonus	3,925	4,426
Provision of reserve for bonus	855	1,291
Provision of reserve for directors' bonus	36	94
Welfare expenses	944	1,134
Expenses for hiring activities	1,854	2,406
Depreciation	251	372
Commission paid	1,406	1,711
Goodwill amortization	312	454
Other	2,128	2,229
Total selling, general and administrative expenses	11,966	14,438
Operating profit	8,040	7,163
Non-operating income		
Interest income	0	0
Subsidies for employment adjustment	89	149
Insurance bonus	20	19
Other	11	20
Total non-operating income	122	189
Non-operating expenses		
Interest expenses	31	52
Loss from foreign exchange	0	59
Commission fee	13	4
Other	3	45
Total non-operating expenses	48	161
Ordinary profit	8,113	7,191
Extraordinary income		
Gain on reversal of subscription rights to shares	—	1
Gain on sale of shares of affiliated companies	8	—
Total extraordinary income	8	1
Extraordinary losses		
Loss on disposal of non-current assets	16	61
Expenses related to reorganization	—	95

Loss on valuation of investments in capital	—	19
Loss on termination of retirement benefit plan	—	13
25 th anniversary expenses	205	—
One-off cost due to the change in the ESOP-type Stock Benefit Trust Plan	1,180	—
Other	14	0
Total extraordinary losses	1,417	191
Net profit before income taxes and other adjustments	6,705	7,000
Income taxes	2,427	2,644
Adjustment for income taxes	(261)	6
Total income taxes	2,166	2,650
Net profit	4,538	4,349
Net profit attributable to non-controlling interests	29	49
Net profit attributable to owners of the parent	4,509	4,299

(Consolidated Statements of Comprehensive Income)

(Million yen)

	FY3/2020 (April 1, 2019- March 31, 2020)	FY3/2021 (April 1, 2020 March 31, 2021)
Net profit	4,538	4,349
Other comprehensive income		
Valuation difference on other securities	—	0
Foreign currency translation adjustment	—	(28)
Remeasurements of defined benefit plans	(1)	5
Total other comprehensive income	(1)	(22)
Comprehensive income	4,537	4,326
(Comprehensive income attributable to)		
Comprehensive income attributable to owners of the parent	4,507	4,280
Comprehensive income attributable to non-controlling interests	29	46

(3) Consolidated Statements of Changes in Shareholders' Equity**FY3/2019 (from April 1, 2019 to March 31, 2020)**

(Million yen)

	Shareholders' equity				
	Common stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance at beginning of the period	686	422	11,781	(0)	12,890
Changes of items during the period					
Dividends from retained earnings			(2,499)		(2,499)
Net profit attributable to owners of the parent			4,509		4,509
Purchase of treasury shares				(0)	(0)
Change in ownership interest of parent due to transactions with non-controlling interests					—
Net changes of items other than shareholders' equity					
Total changes of items during the period	—	—	2,009	(0)	2,009
Balance at end of the period	686	422	13,791	(0)	14,900

	Accumulated other comprehensive income				Share acquisition rights	Minority interests	Total net assets
	Valuation difference on other securities	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income			
Balance at beginning of year in review	—	—	(4)	(4)	—	110	12,996
Changes during year in review							
Dividends from retained earnings							(2,499)
Net profit attributable to owners of the parent							4,509
Purchase of treasury shares							(0)
Change in ownership interest of parent due to transactions with non-controlling interests							—
Net changes in items other than shareholders' equity			(1)	(1)	—	18	17
Total changes during year in review			(1)	(1)	—	18	2,026
Balance at end of year in review			(5)	(5)		129	15,023

FY3/2020 (from April 1, 2020 to March 31, 2021)

(Million yen)

	Shareholders' equity				
	Common stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance at beginning of the period	686	422	13,791	(0)	14,900
Changes of items during the period					
Dividends from retained earnings					—
Net profit attributable to owners of the parent			4,299		4,299
Purchase of treasury shares				(0)	(0)
Change in ownership interest of parent due to transactions with non-controlling interests		(83)			(83)
Net changes of items other than shareholders' equity					
Total changes of items during the period	—	(83)	4,299	(0)	4,216
Balance at end of the period	686	338	18,091	(0)	19,116

	Accumulated other comprehensive income				Share acquisition rights	Minority interests	Total net assets
	Valuation difference on other securities	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income			
Balance at beginning of year in review	—	—	(5)	(5)	—	129	15,023
Changes during year in review							
Dividends from retained earnings							—
Net profit attributable to owners of the parent							4,299
Purchase of treasury shares							(0)
Change in ownership interest of parent due to transactions with non-controlling interests							(83)
Net changes in items other than shareholders' equity	0	(28)	5	(22)	602	378	958
Total changes during year in review	0	(28)	5	(22)	602	378	5,174
Balance at end of year in review	0	(28)	—	(28)	602	507	20,198

(4) Consolidated Statements of Cash Flows

(Million yen)

	FY3/2020 (April 1, 2019 March 31, 2020)	FY3/2021 (April 1, 2020 March 31, 2021)
Cash flow from operating activities		
Net profit before income taxes and other adjustments	6,705	7,000
Depreciation	251	378
Amortization of goodwill	312	454
Commission fee	13	4
Increase (decrease) in allowance for doubtful accounts	(12)	(9)
Increase (decrease) in provision for bonuses	(67)	508
Increase (decrease) in provision for directors' bonuses	(53)	57
Interest and dividend income	(0)	(0)
Interest expenses	31	52
Loss (gain) on sale of shares of affiliated companies	(8)	—
Loss on disposal of non-current assets	16	64
Decrease (increase) in notes and accounts receivable - trade	308	(841)
Decrease (increase) in prepaid expenses	157	(50)
Decrease (increase) in inventories	(1)	(10)
Decrease (increase) in long-term prepaid expenses	1,229	0
Increase(decrease) in notes and accounts payable-trade	—	(278)
Increase (decrease) in accrued consumption taxes	(164)	(257)
Increase (decrease) in accrued expenses	(1,68)	982
Increase (decrease) in accounts payable	(84)	249
Increase (decrease) in deposits received	(529)	602
Other	11	(4)
Subtotal	7,046	8,903
Interest and dividend income received	0	0
Interest expenses paid	(33)	(54)
Income taxes paid	(3,503)	(2,194)
Net cash provided by (used in) operating activities	3,509	6,654
Cash flow from investing activities		
Purchase of property, plant and equipment	(14)	(173)
Purchase of intangible assets	(222)	(108)
Payments for purchase of subsidiary shares associated with change in scope of consolidation	(634)	(2,591)
Proceeds from purchase of shares of subsidiaries resulting in change in scope of consolidation	—	1,079
Payments for sale of subsidiary shares associated with change in scope of consolidation	(77)	—
Purchase of shares of subsidiaries and associates	—	(604)

Net decrease (increase) in short-term loans receivable	19	(25)
Net decrease (increase) in guarantee deposits	12	7
Other	111	3
Net cash provided by (used in) investing activities	(805)	(2,413)

(Million yen)

	FY3/2020 (April 1, 2019- March 31, 2020)	FY3/2021 (April 1, 2020 March 31, 2021)
Cash flow from financing activities		
Net increase (decrease) in short-term borrowings	—	(142)
Proceeds from long-term loans payable	5,000	5,003
Payments of long-term loans payable	(1,764)	(2,839)
Proceeds from issuance of share acquisition rights	—	603
Payments of purchase of treasury shares	(0)	(0)
Dividends paid to owners of the Company	(2,490)	(1)
Dividends paid to non-controlling interests	(11)	—
Other	(13)	(9)
Net cash provided by (used in) financing activities	721	2,613
Effect of exchange rate changes on cash and cash equivalents	—	(3)
Net increase (decrease) in cash and cash equivalents	3,424	6,851
Cash and cash equivalents at beginning of period	14,990	18,415
Cash and cash equivalents at end of period	18,415	25,266

(5) Notes on the Consolidated Financial Statements
(Notes on the Assumption as a Going Concern)

Not applicable

(Segment Information)

1. Outline of reportable business segments

The reportable business segments of the UT Group consist of those for which separate financial information is available within the Group's structural units. Segments are also subject to regular reviews as the Board of Directors in order to determine the allocation of management resources and assess the business performance.

The UT Group consists of business segments, based on their business domains. There are three reportable segments: Manufacturing Business, Solution Business, and Engineering Business.

The main business of each segment is as follows:

- (1) Manufacturing Business: Manufacturing dispatching and subcontracting work; provision of personnel services
- (2) Solution Business: Services to assist large manufacturing companies' structural reform, such as to receive workers transferred from client companies
- (3) Engineering Business: Dispatching of and subcontracting work by engineers in design and development, IT, construction, and other areas and; provision of personnel services

2. Calculation method for sales, profit or loss, assets, liabilities, and other items by reportable business segment

The accounting method for the reported business segments is the same as the accounting method employed to prepare the consolidated financial statements. Reportable segment income is a figure that is based on operating income. Inter-segment income and transfers are based on the prevailing market price.

3. Sales, profit or loss, assets, liabilities, and other items by reportable business segment

Fiscal year ended March 31, 2020 (from April 1, 2019 to March 31, 2020)

(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	70,336	13,925	16,929	101,191	—	10,191
Inter-segment sales or transfers	190	4	—	195	(195)	—
Total	70,527	13,930	16,929	101,387	(195)	101,191
Segment profit	5,951	1,031	1,152	8,135	(95)	8,040
Segment assets	17,332	3,520	5,222	26,075	10,232	36,308
Other items						
Depreciation	181	29	40	251	—	251
Goodwill amortization	219	4	88	312	—	312
Increase in property, plant and equipment, and intangible assets	743	1	25	770	246	1,016

Notes:

1. The adjusted amounts are as follows:

- (1) Adjustment to segment profit of -95 million yen is inter-segment eliminations.
- (2) Adjustment to assets of 10,232million yen are mainly corporate assets not allocated to a particular reportable segment.
- (3) The standards for allocation of non-current assets by segment and the standards for allocation of depreciation by segment are different.
- (4) Adjustment to increase in property, plant and equipment, and intangible assets of 246 million yen is mainly increase in property, plant and equipment, and intangible assets not allocated to a particular reportable segment.

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

Fiscal year ended March 31, 2021 (from April 1, 2020 to March 31, 2021)

(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	69,201	29,711	16,218	115,131	—	115,131
Inter-segment sales or transfers	51	5	—	57	(57)	—
Total	69,252	29,717	16,218	115,188	(57)	115,131
Segment profit	3,437	1,309	2,431	7,179	(16)	7,163
Segment assets	21,530	9,332	4,920	35,783	16,883	52,666
Other items						
Depreciation	265	75	38	378	—	378
Goodwill amortization	313	53	88	454	—	454
Increase in property, plant and equipment, and intangible assets	3,072	532	—	3,605	266	3,871

Notes:

1. The adjusted amounts are as follows:

- (1) Adjustment to segment profit of -16 million yen is inter-segment eliminations.
- (2) Adjustment to assets of 16,883 million yen are mainly corporate assets not allocated to a particular reportable segment.
- (3) The standards for allocation of non-current assets by segment and the standards for allocation of depreciation by segment are different.
- (4) Adjustment to increase in property, plant and equipment, and intangible assets of 266 million yen is mainly increase in property, plant and equipment, and intangible assets not allocated to a particular reportable segment.

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

(Per Share Data)**(Yen)**

	FY3/2020 (April 1, 2019 - March 31, 2020)	FY3/2021 (April 1, 2020 - March 31, 2021)
Net assets per share	369.01	472.90
Net profit per share	111.71	106.53

(Notes)

1. Net profit per share and net profit per share (diluted) are not stated because there is no dilutive share.
2. The basis for calculating earnings per share is provided below.

	FY3/2020 (April 1, 2010 - March 31, 2020)	FY3/2021 (April 1, 2020 - March 31, 2021)
Net profit attributable to owners of the parent (million yen)	4,509	4,299
Amount not attributable to common stockholders (million yen)	—	—
Common stock-related profit attributable to owners of the parent (million yen)	4,509	4,299
Average number of common stock during the fiscal year (shares)	40,362,970	40,362,915

(Significant Subsequent Events)**Business Combination by Acquisition**

At the Board of Directors' meeting of UT Group Co., Ltd. held April 23, 2021, a resolution was made for UT Group to acquire all shares of Progress Group, Co., Ltd., which owned 100% shares of Progress Co., Ltd.

(1) Summary of business combination**1) Name and business of an acquired company**

Name of an acquired company	Progress Group, Co., Ltd.
Business	Management of subsidiaries and real estate rent

Name and business of a subsidiary of the acquired company

Name and of a subsidiary of the acquired company	Progress Co., Ltd.
Business	Personnel dispatch and contracting business

2) Major reason of business combination

Given heightened concerns over the resurgence and prolonged spread of the COVID-19 virus, the employment situation has been weak in Japan. Going forward, we anticipate that the supply and demand conditions of labor in Japan will be affected by the recovery of socio-economic activities and by agile, effective employment policies and that the way to use human resources will structurally change. At present, personnel demand, particularly in the manufacturing industry, has been recovering significantly, as production activities, particularly in the semiconductor and electronic parts sectors and automobile-related sectors, have been recovering and the long-sluggish jobs-to-applicants ratio has bottomed out.

Under the ongoing Fourth Medium-Term Management Plan formulated in May 2020, in addition to expanding its share of personnel dispatch to the major manufacturing industries, which is the existing core business area, UT Group has been establishing a stable employment environment at local workplaces through alliances with or acquisitions of leading local companies, and is building a career platform system that spans regions.

Progress Co., Ltd., which belongs to Progress Group, does business mainly in Aichi Prefecture but also in Gifu, Mie, Nagano and Ibaraki prefectures. The company is engaged in personnel dispatch, etc., mainly in the manufacturing industry of automobiles, automotive parts, electronic parts, and rubber products. With approximately 1,100 Japanese and non-Japanese employees employed as dispatch workers, the company provides high-quality services to satisfy local producers' requirements in personnel.

The Tokai region, centered on Aichi Prefecture, is a regional center of industries, and where the automobile industry and other major manufacturing industries are concentrated. The UT Group, mainly UT Aim, has established strong relationships with clients in the region. The UT Group's regional business base will be expanded by SURI-EMU Corporation, which is scheduled to become a wholly-owned subsidiary on May 30, 2021, and by Progress Group. By utilizing the operating, client and recruitment bases of each company in business development, UT's career platform within the region will be further expanded and deepened. We will thereby strengthen our ability to respond to the needs of our clients and the employment environment, which will change significantly in the future, and will continue to provide stable, high-quality services to our clients. As a platform company that supports more diverse workstyles, we are committed to helping solve the major challenge of securing human resources at manufacturing sites that support the deep roots of manufacturing in Japan, where the decline in the working population has required new approaches to staffing factories.

3) Date of business combination

May 27, 2021 (plan)

4) Legal form of business combination

Share acquisition with cash as consideration

5) Company name after business combination

No change

6) Percentage of voting rights acquired

100%

7) Primary basis for determining the acquired company

It is for UT Group to acquire shares of the company by using cash.

(2) Acquisition cost and breakdown by the type of considerations

<u>Consideration for acquisition</u>	<u>Cash and deposits:</u>	<u>3,085 million yen</u>
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Acquisition cost:	3,085 million yen
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(3) Major expenses and their amount related to the acquisition

They have yet been fixed.

(4) Amount of goodwill, its reasons, and amortization method and period

They have yet been fixed.

(5) Amounts and breakdown of assets acquired and liabilities assumed at the time of business combination

They have yet been fixed.