



Third Quarter of Fiscal Year Ending March 31, 2019

Financial Results

February 12, 2019

UT Group Co., Ltd.

Securities Code: 2146

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1. Financial Highlights, First Nine Months of Fiscal Year Ending March 2019

1. Financial Highlights, First Nine Months of Fiscal Year Ending March 2019

Highlights of Consolidated Results

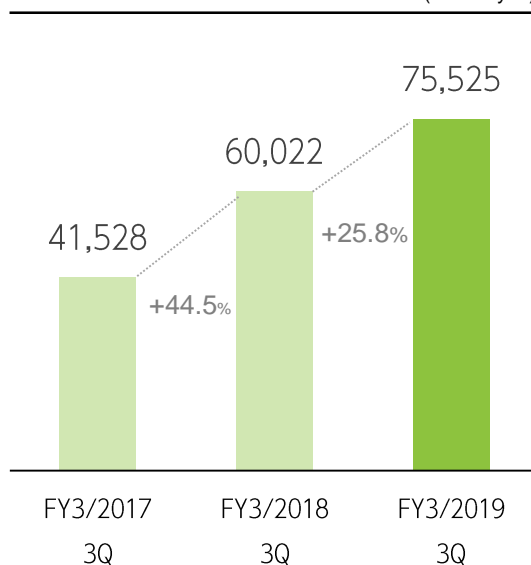
Strong demand and hiring ability led to a 25.8% y-o-y growth in net sales.

Growth in large-lot, high-unit-price orders helped increase operating profit by 66.2% y-o-y.

EPS increased by 60.3% year-on-year.

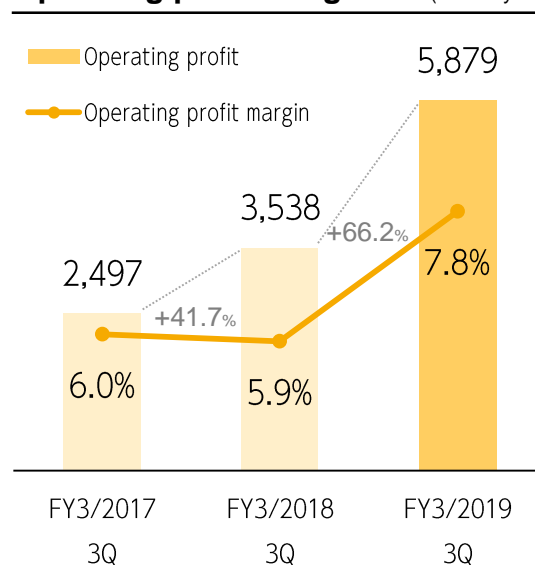
Net sales

(Million yen)



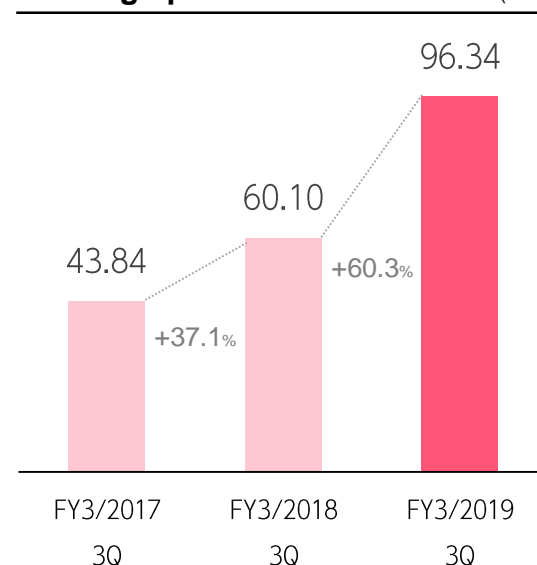
Operating profit and Operating profit margin

(Million yen)



Earnings per share

(Yen)



1. Financial Highlights, First Nine Months of Fiscal Year Ending March 2019

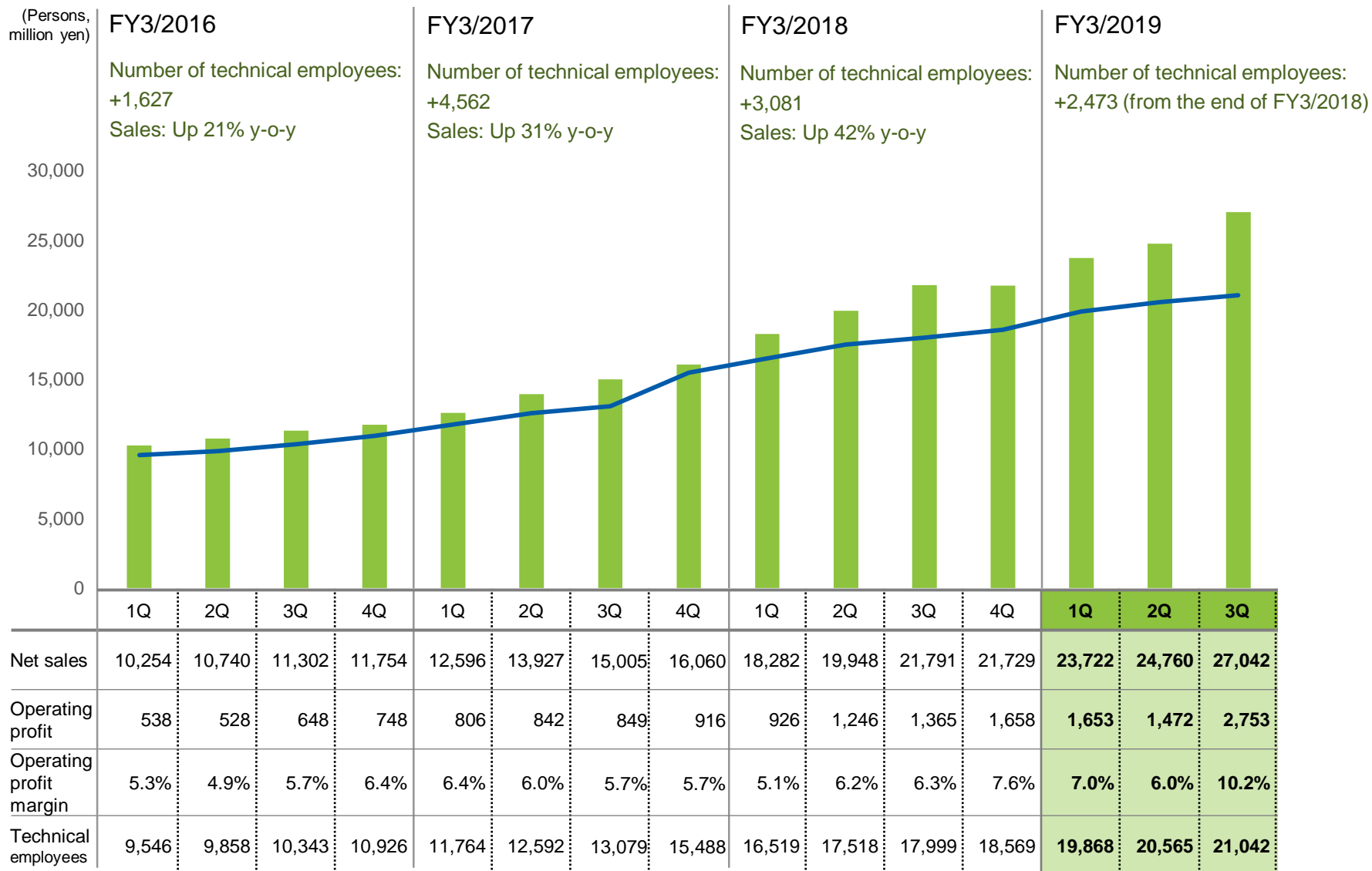
Summary of Statement of Income

(Million yen)

	First nine months of FY3/2018		First nine months of FY3/2019		Year-on-Year	
	Results	% to net sales	Results	% to net sales	Amount	Change
Net sales	60,022	100.0%	75,525	100.0%	15,503	25.8%
Gross profit	11,845	19.7%	15,679	20.8%	3,833	32.4%
Selling, general and administrative expenses	8,307	13.8%	9,799	13.0%	1,492	18.0%
Operating profit	3,538	5.9%	5,879	7.8%	2,341	66.2%
EBITDA	3,916	6.5%	6,320	8.4%	2,403	61.4%
Ordinary profit	3,528	5.9%	5,921	7.8%	2,392	67.8%
Net profit attributable to UT Group	2,293	3.8%	3,889	5.1%	1,595	69.6%
Number of technical employees	17,999	—	21,042	—	3,043	16.9%

1. Financial Highlights, First Nine Months of Fiscal Year Ending March 2019

Quarterly Changes in Sales and Number of Technical Employees



1. Financial Highlights, First Nine Months of Fiscal Year Ending March 2019

Summary of Balance Sheet

(Million yen)

	September 30, 2018		December 31, 2018		Quarter on Quarter	
	Results	% of total	Results	% of total	Amount	%
Current assets	24,636	82.0%	26,517	83.2%	1,881	7.6%
Cash and deposits	11,447	38.1%	12,732	40.0%	1,285	11.2%
Notes and accounts receivable - trade	11,968	39.9%	12,451	39.1%	482	4.0%
Non-current assets	5,388	17.9%	5,349	16.8%	△39	△0.7%
Property, plant and equipment	332	1.1%	340	1.1%	8	2.5%
Intangible assets	2,586	8.6%	2,558	8.0%	△27	△1.1%
Goodwill	1,991	6.6%	1,890	5.9%	△101	△5.1%
Investments and other assets	2,470	8.2%	2,450	7.7%	△19	△0.8%
Deferred assets	1	0.0%	1	0.0%	0	0.0%
Total assets	30,026	100.0%	31,869	100.0%	1,842	6.1%
Current liabilities	15,186	50.6%	15,476	48.6%	290	1.9%
Short-term borrowings and current portion of long-term debts	2,073	6.9%	1,959	6.2%	△113	△5.5%
Long-term liabilities	4,803	16.0%	4,484	14.1%	△318	△6.6%
Long-term debts	4,413	14.7%	4,035	12.7%	△377	△8.6%
Net assets	10,037	33.4%	11,908	37.4%	1,870	18.6%
Shareholders' equity	9,948	33.1%	11,811	37.1%	1,862	18.7%
Total liabilities and net assets	30,026	100.0%	31,869	100.0%	1,842	6.1%
Gross debt/equity ratio	0.66	—	0.51	—	—	—

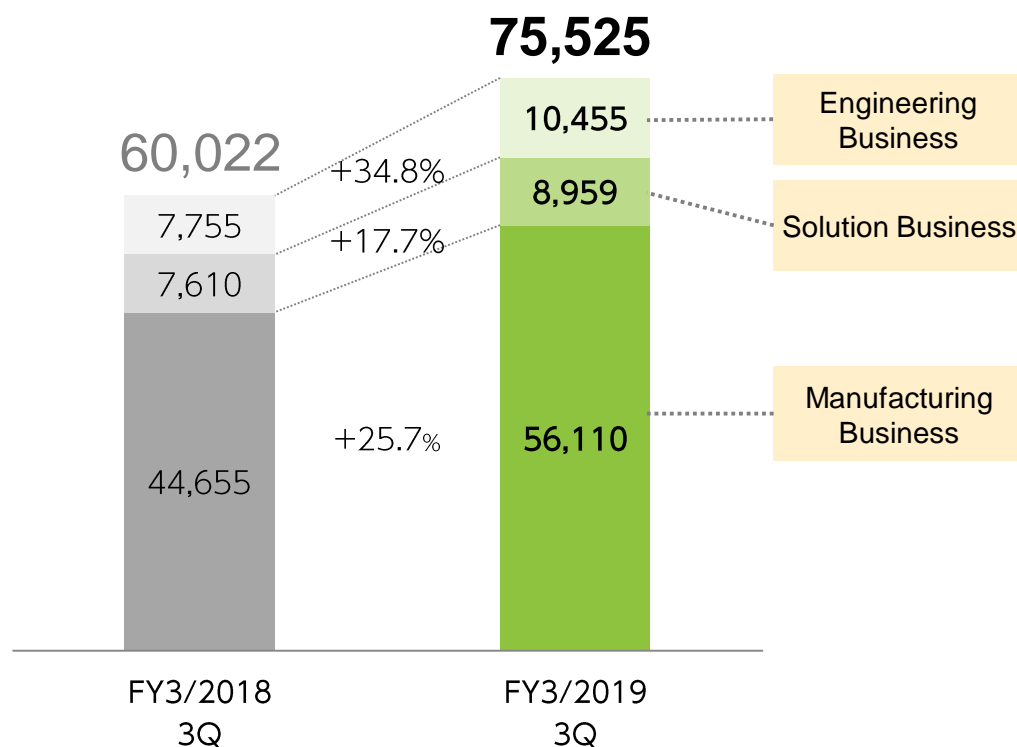
1. Financial Highlights, First Nine Months of Fiscal Year Ending March 2019

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

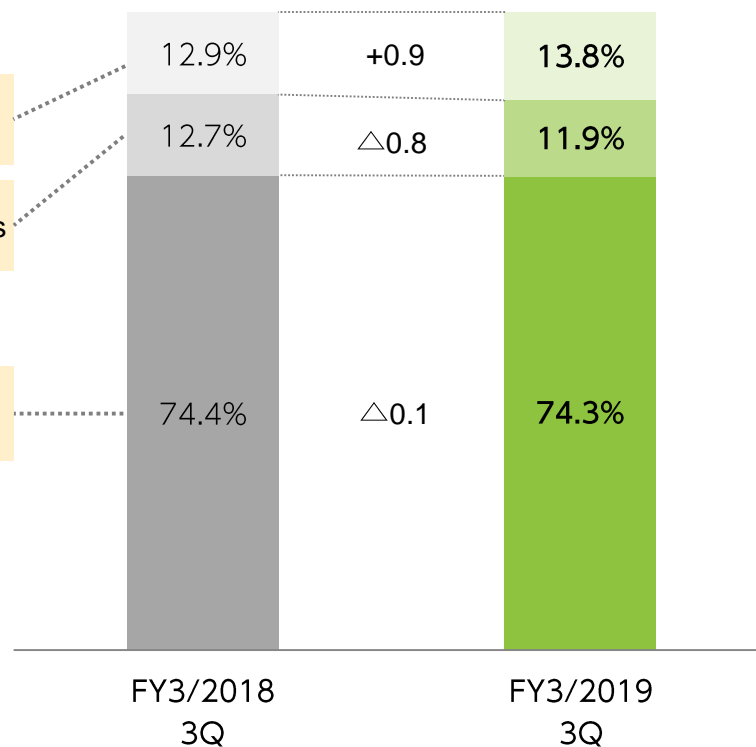
- Sales rose in all segments, reflecting continued strong demand for human resources.

Net sales

(Million yen)



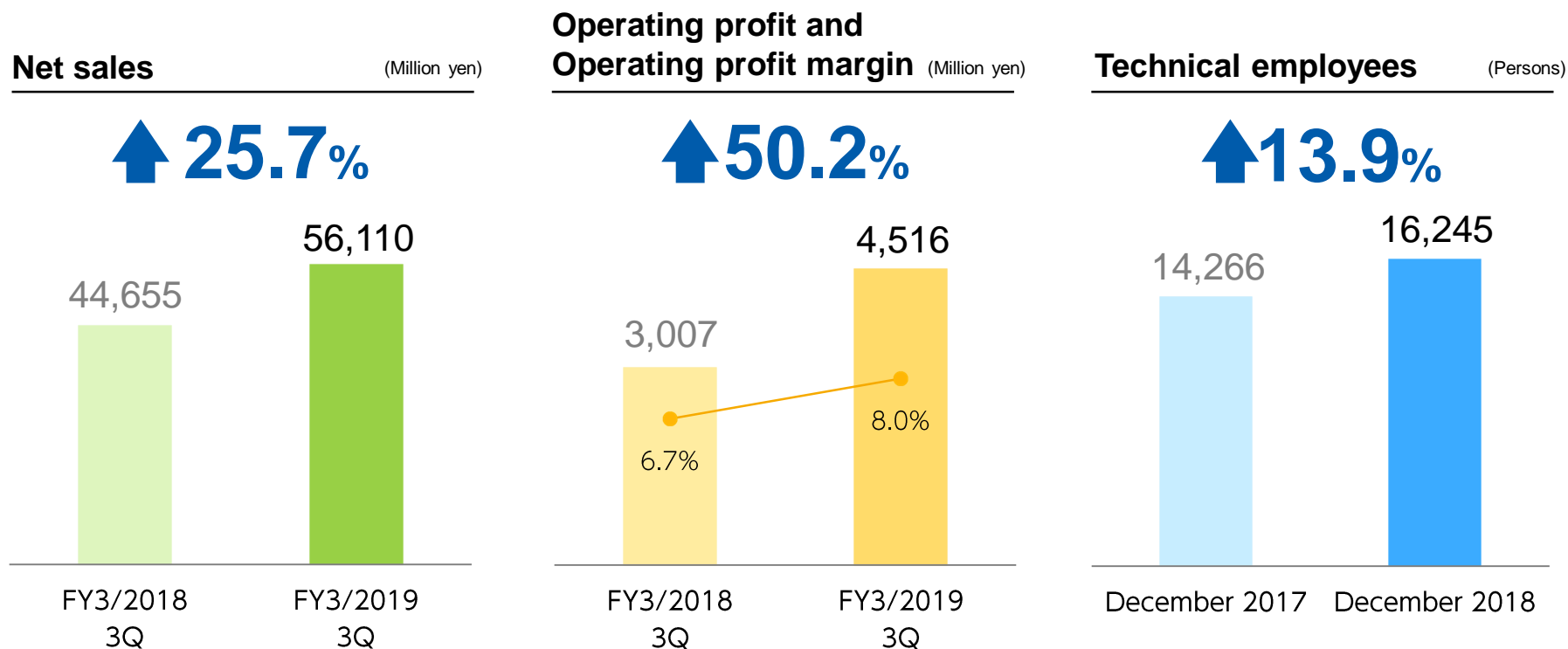
Sales composition



1. Financial Highlights, First Nine Months of Fiscal Year Ending March 2019

Results by Segment: Manufacturing Business

- Strong demand to switch from fixed-term workers to dispatched workers mainly in the automotive sector.
- Consolidation into large-lot, high-unit-price orders helped improve profitability.

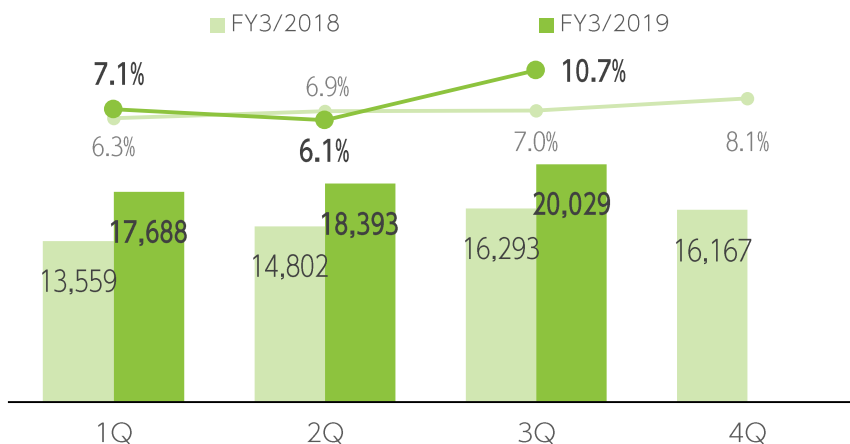


1. Financial Highlights, First Nine Months of Fiscal Year Ending March 2019

Results by Segment: Manufacturing Business

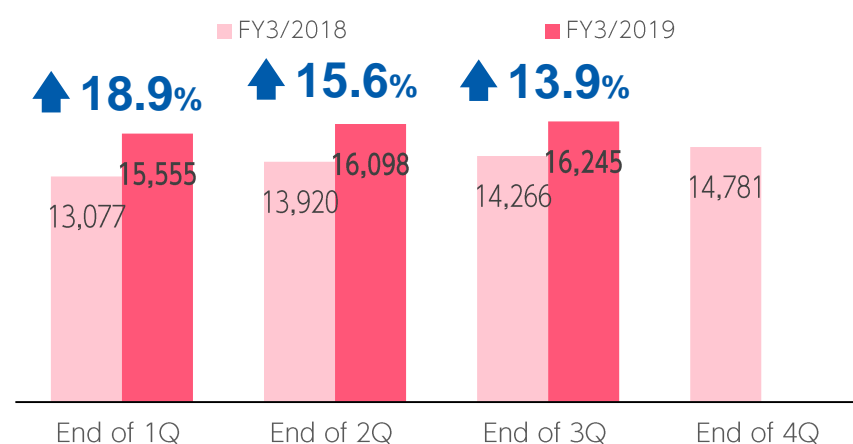
Sales and operating profit margin

(Million yen)



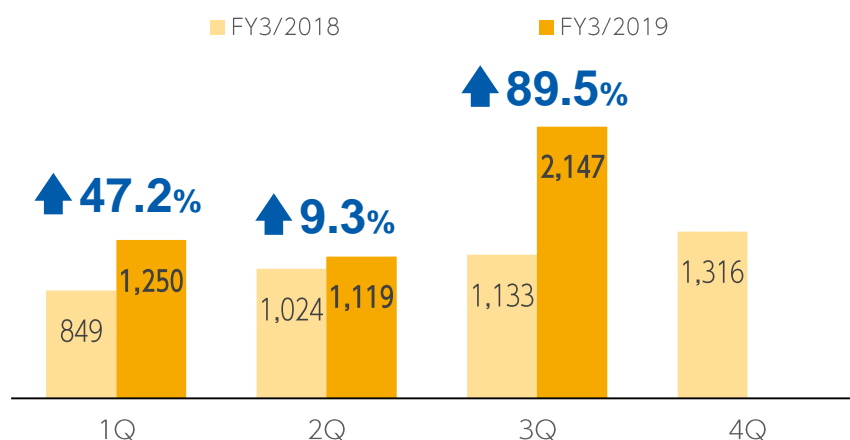
Technical employees

(Persons)



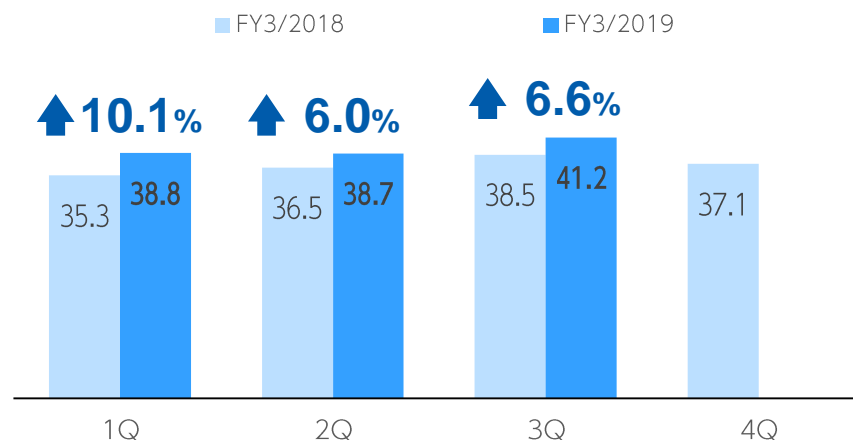
Operating profit

(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.

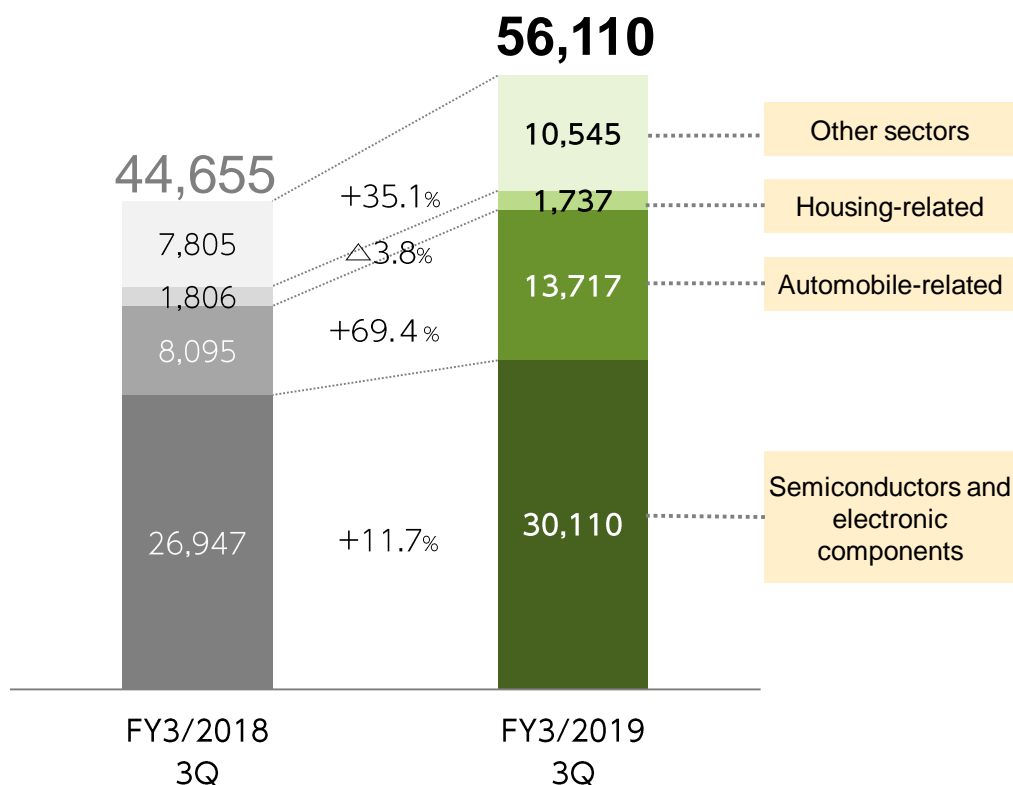
1. Financial Highlights, First Nine Months of Fiscal Year Ending March 2019

Results by Segment: Manufacturing Business (Sales by Sector)

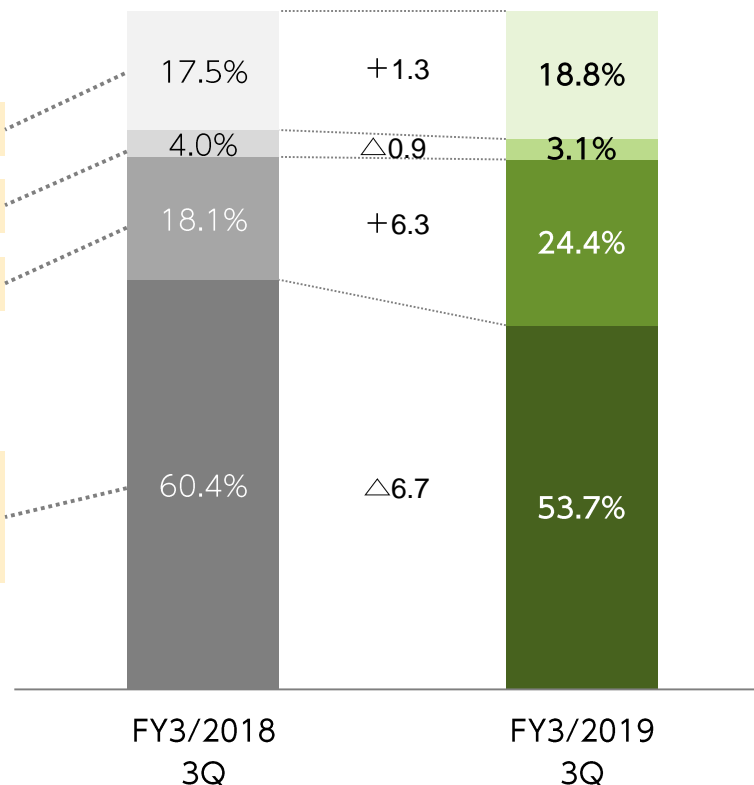
- Automobile-related sales increased due to demand for switch fixed-term workers to dispatched workers.
- Housing-related sales decreased due to a shift into large-lot high-unit-price orders.

Net sales

(Million yen)



Sales composition

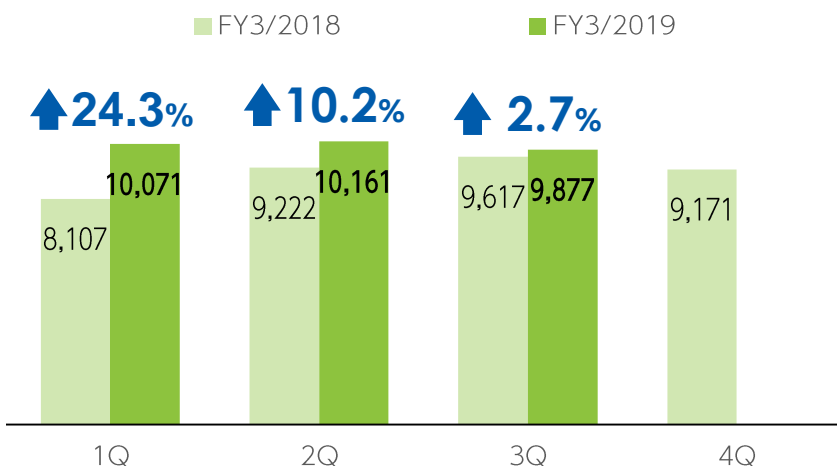


1. Financial Highlights, First Nine Months of Fiscal Year Ending March 2019

Results by Segment: Manufacturing Business (Sales by Sector)

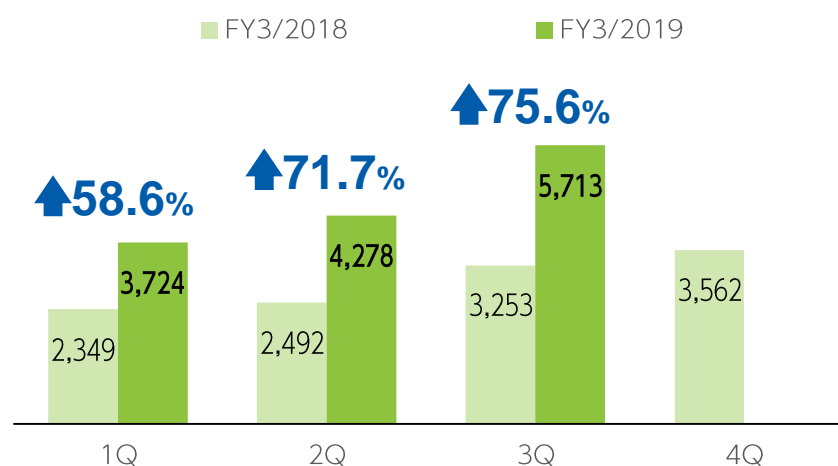
Semiconductors and electronic components

(Million yen)



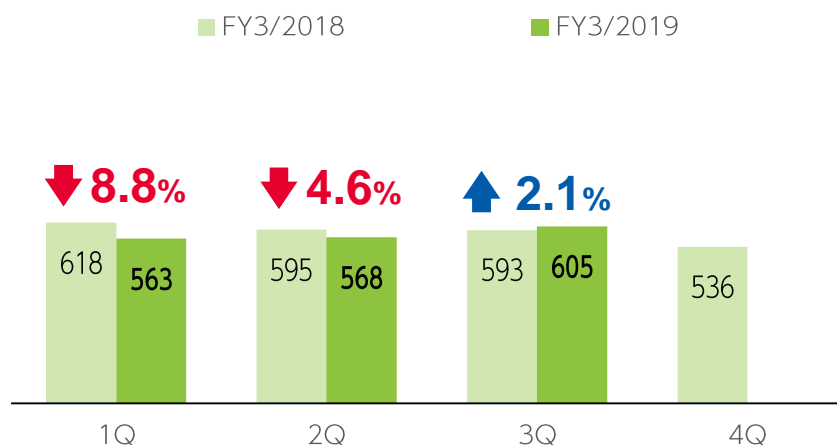
Automobile-related

(Million yen)



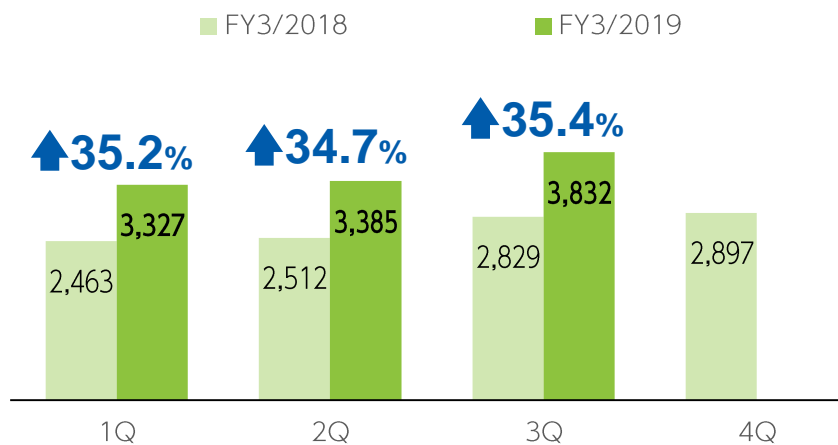
Housing-related

(Million yen)



Other sectors

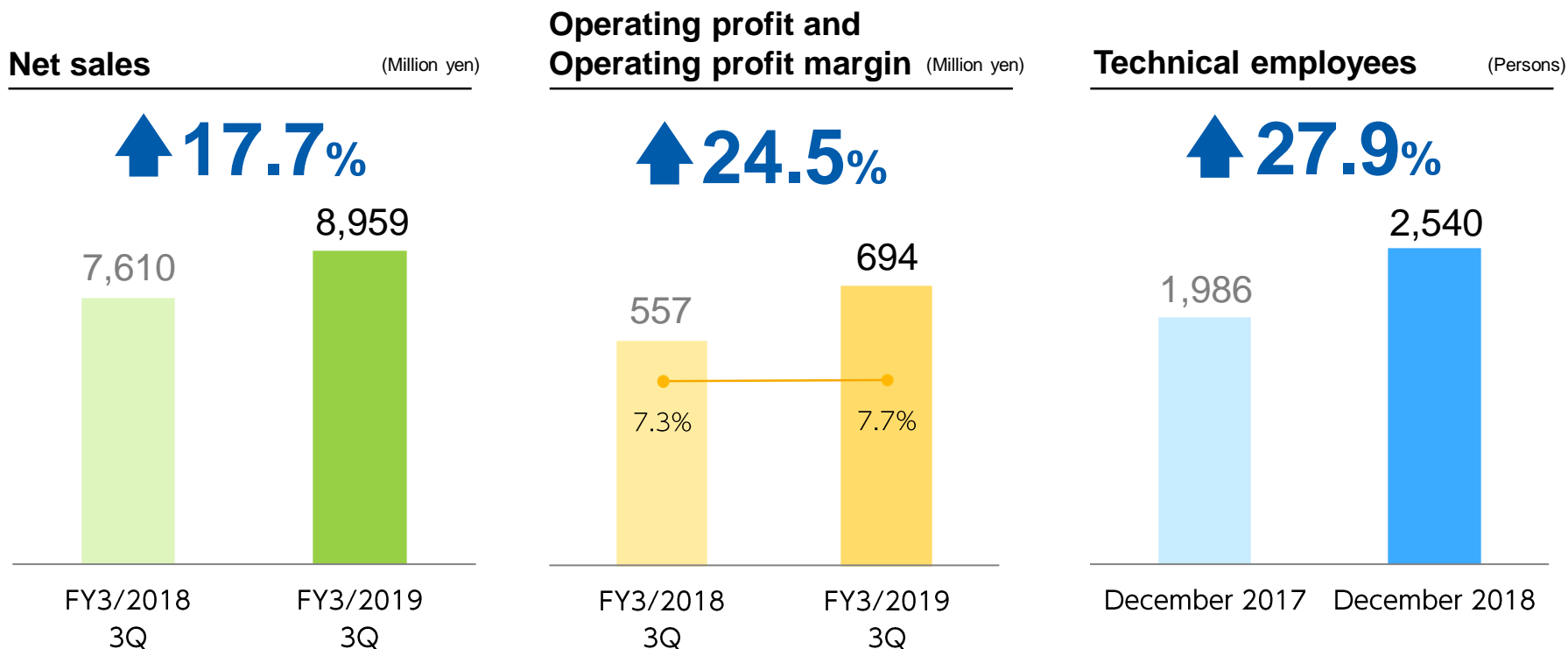
(Million yen)



1. Financial Highlights, First Nine Months of Fiscal Year Ending March 2019

Results by Segment: Solution Business

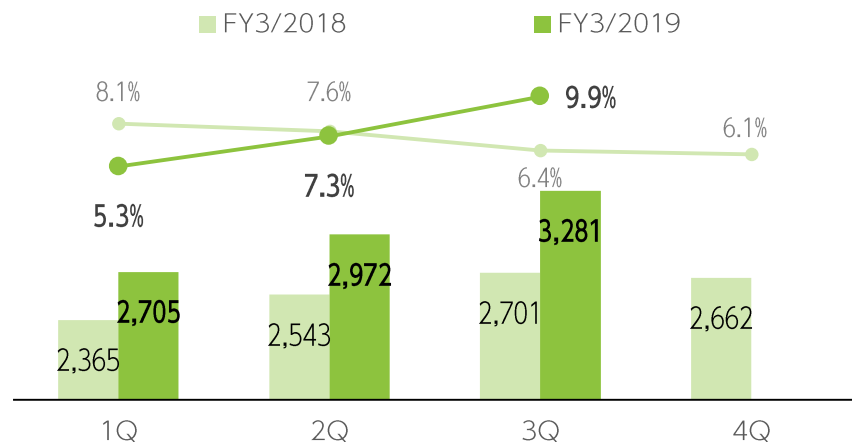
- Transfer of employees of client companies helped increase the number of technical employees.
- An increase in the number of technical employees contributed to improvement of profitability.



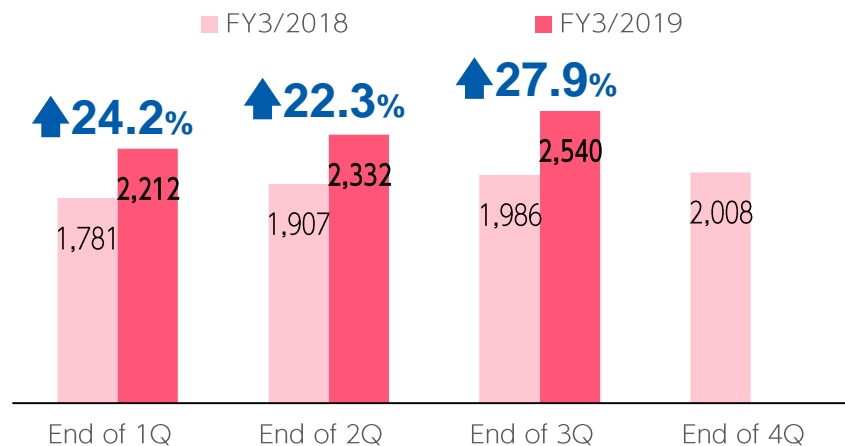
1. Financial Highlights, First Nine Months of Fiscal Year Ending March 2019

Results by Segment: Solution Business

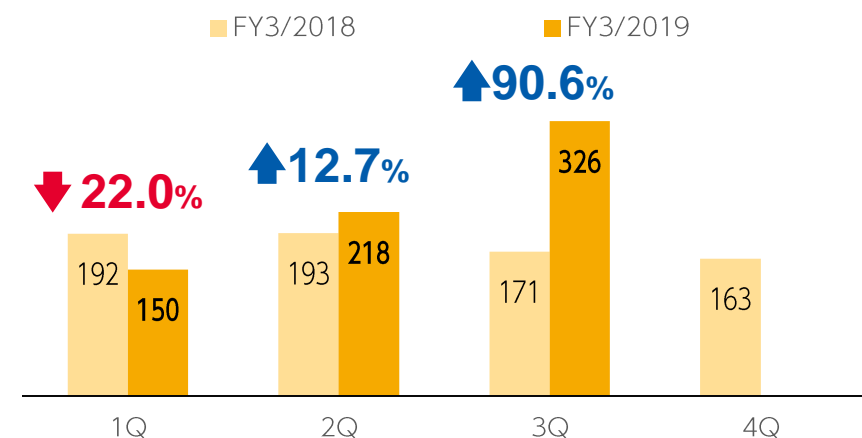
Sales and operating profit margin (Million yen)



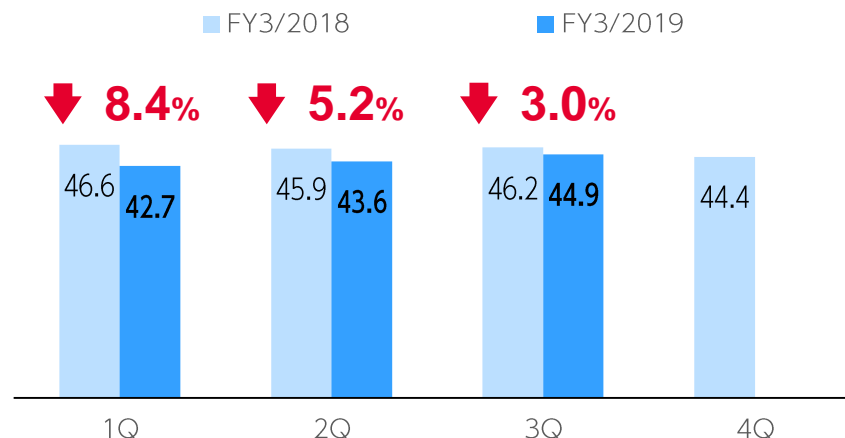
Technical employees (Persons)



Operating profit (Million yen)



Monthly sales per capita (Ten thousand yen)

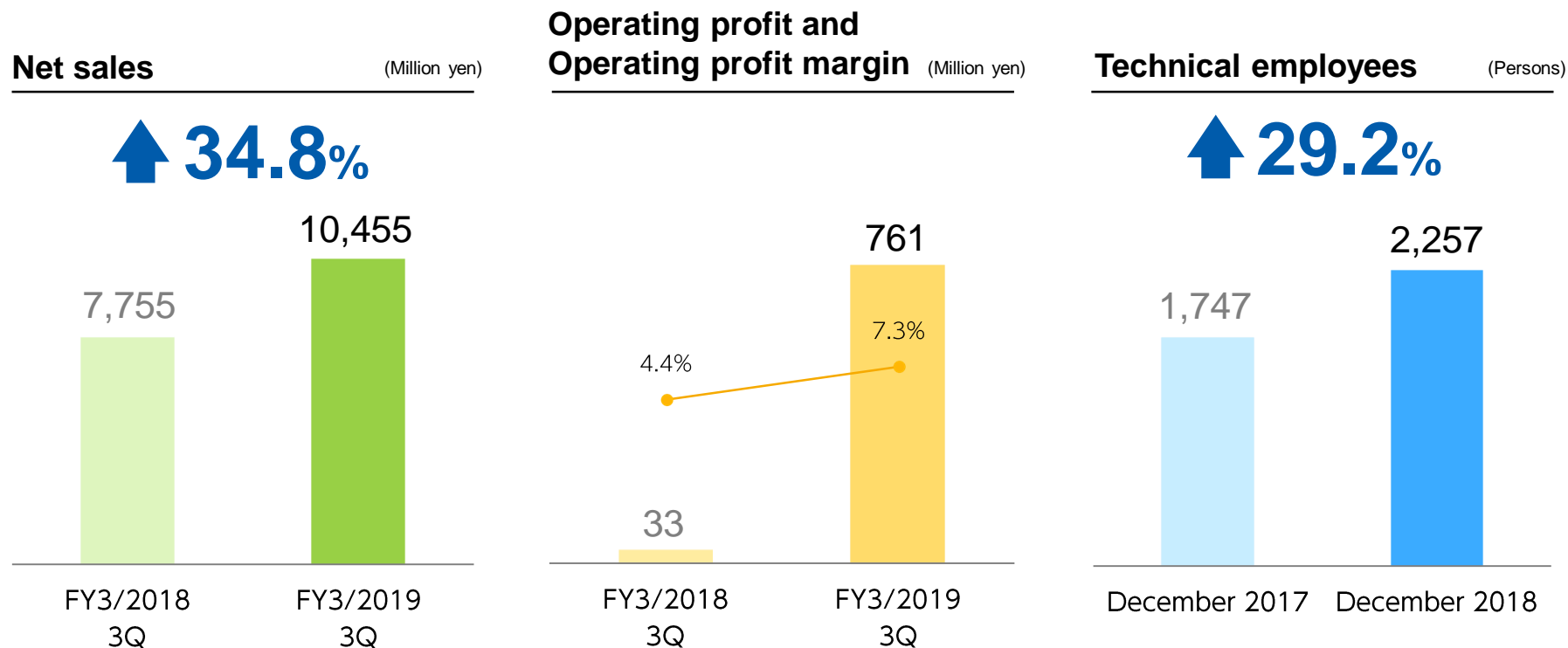


* Average monthly sales is calculated by dividing quarterly sales by the quarterly average number of technical employees.

1. Financial Highlights, First Nine Months of Fiscal Year Ending March 2019

Results by Segment: Engineering Business

- The number of technical employees increased due to new hires and the One UT, a transfer system within the UT Group.
- Revamping of the sales management organization and integration of a subsidiary were the mainly contributors to improved profitability.

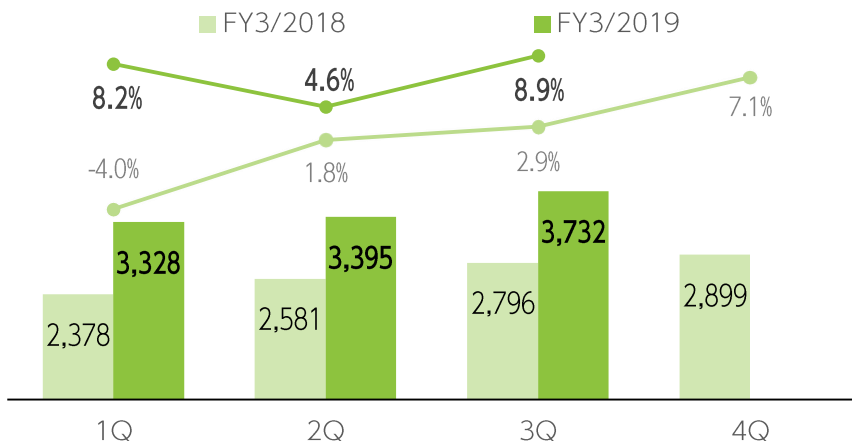


1. Financial Highlights, First Nine Months of Fiscal Year Ending March 2019

Results by Segment: Engineering Business

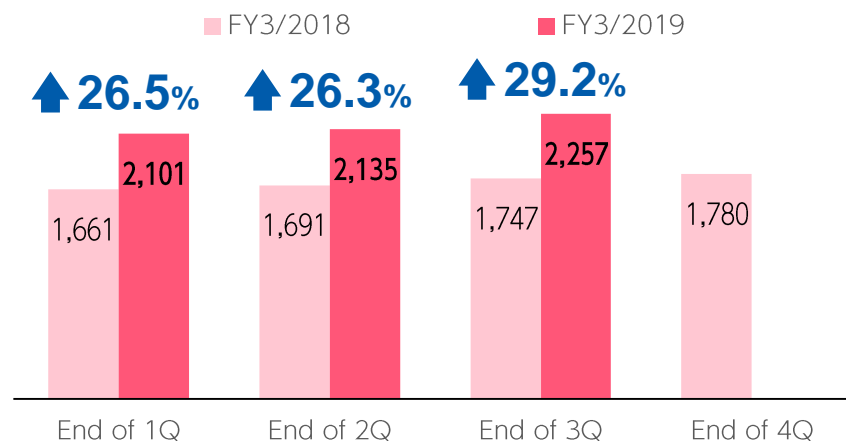
Sales and operating profit margin

(Million yen)



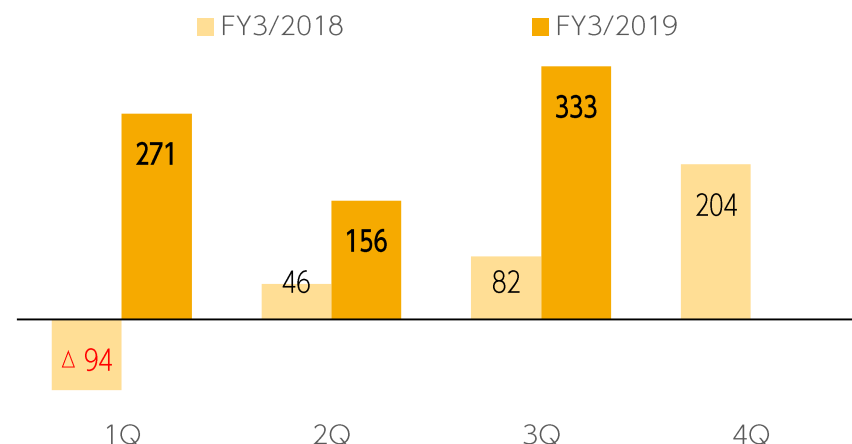
Technical employees

(Persons)



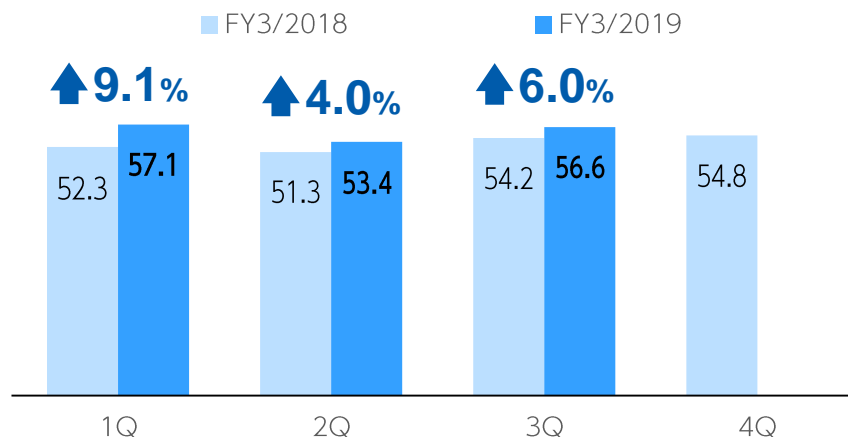
Operating profit

(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.

1. Financial Highlights, First Nine Months of Fiscal Year Ending March 2019

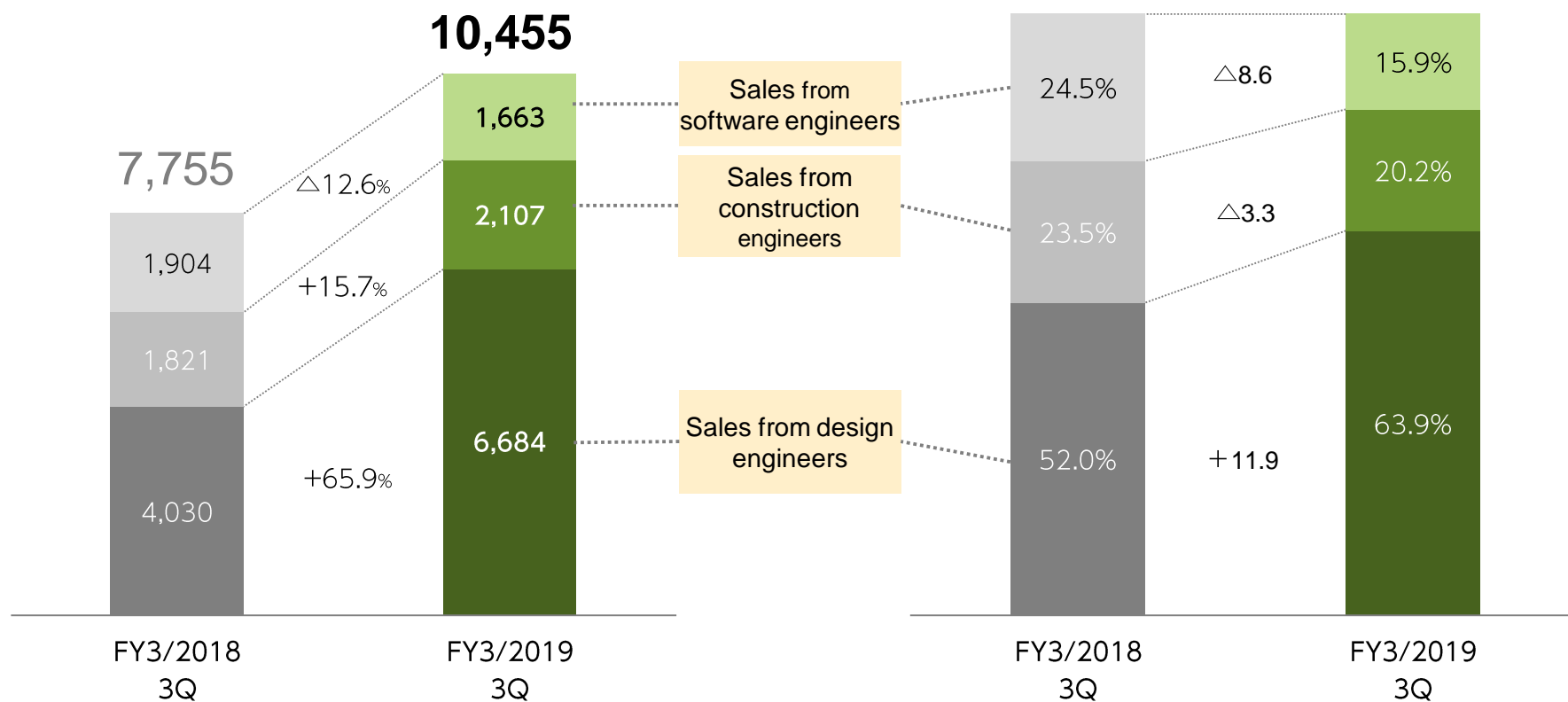
Results by Segment: Engineering Business (Sales by Sector)

- Sales from design engineers increased in the semiconductor manufacturing sector and the automotive sector.
- Sales from software engineers decreased as integration of a subsidiary resulted in assigning engineers to high-margin projects.

Net sales

(Million yen)

Sales composition

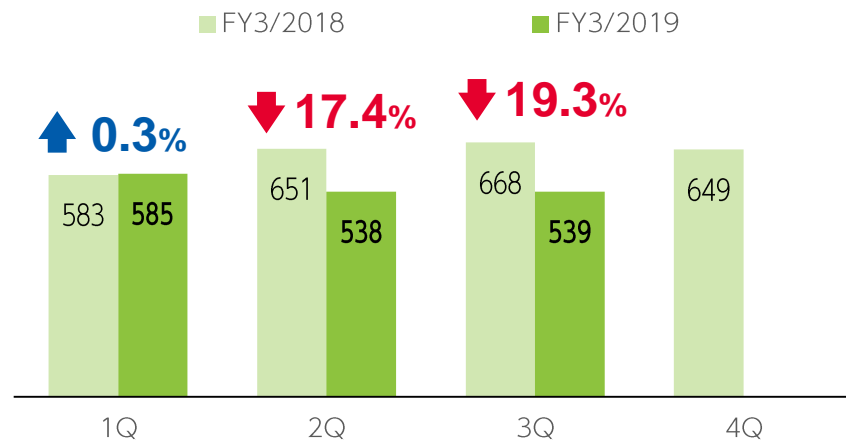


1. Financial Highlights, First Nine Months of Fiscal Year Ending March 2019

Results by Segment: Engineering Business (Sales by Sector)

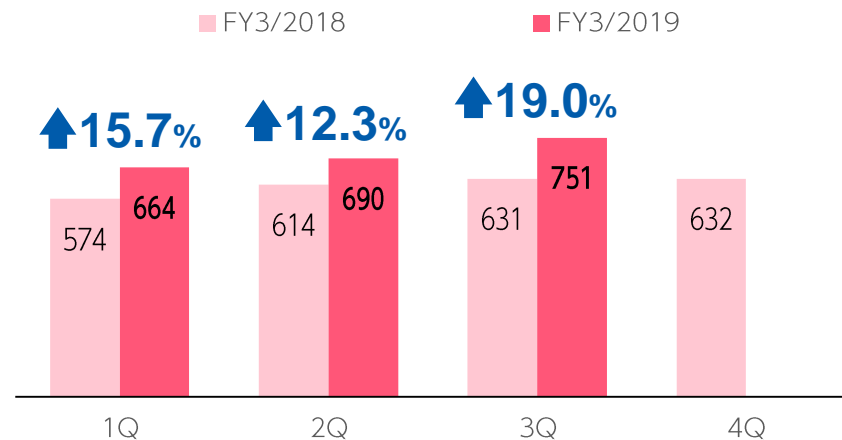
Sales from software engineers

(Million yen)



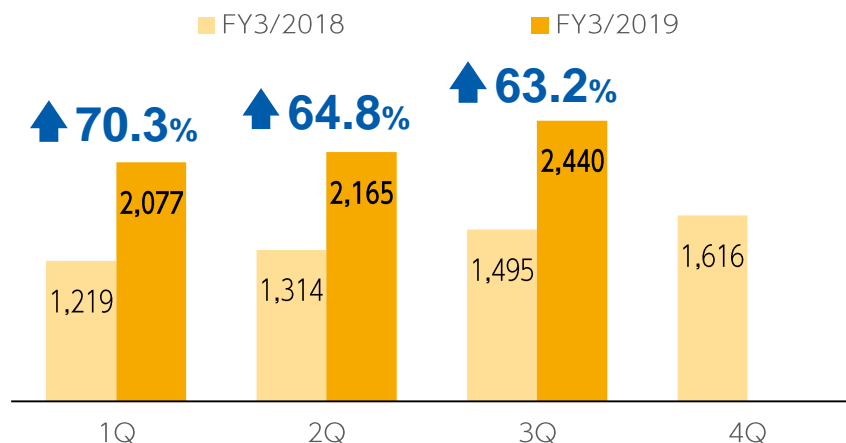
Sales from construction engineers

(Million yen)



Sales from design engineers

(Million yen)



2. FY3/2019 Forecasts and Outlook

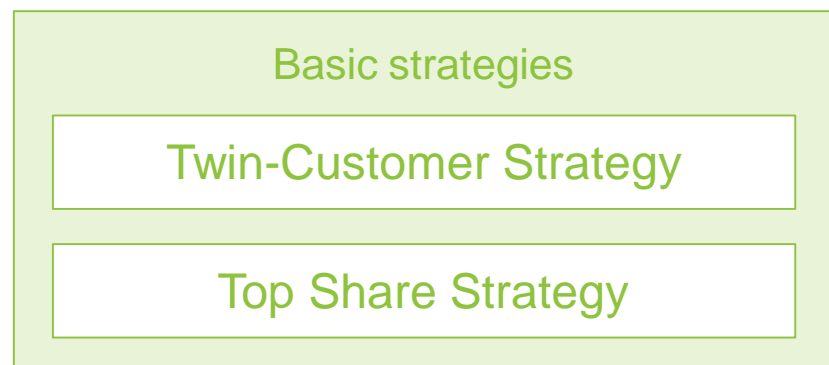
Upward Revision in Full-Year Forecasts

- Sales forecast remains unchanged as demand in higher-unit-price orders in the automotive sector continues to be strong, offsetting weaker demand in the semiconductors and electronic components sector.
- A progress in consolidation into large-lot, high-unit-price orders are expected to contribute to improvement of the operating profit margin.

	FY3/2018		FY3/2019(E)				Revised amount	Revised rate
	Results	% of total	Previous forecasts	Year-on-Year	Revised forecasts	Year-on-Year		
Net sales	81,751	42.0%	100,000	22.3%	100,000	22.3%	—	—
Operating profit	5,197	52.2%	7,000	34.7%	8,000	53.9%	1,000	14.3%
Ordinary profit	5,222	56.3%	6,900	32.1%	8,000	53.2%	1,100	15.9%
Net profit attributable to UT Group	3,534	73.9%	4,480	26.7%	5,200	47.1%	720	16.1%
EPS	91.19	59.5	110.37	21.0%	128.81	—	—	—

Earlier Achievement of Medium-Term Plan Targets

Operating profit targets of the Medium-Term Business Plan, which was launched in FY3/2017, are likely to be achieved earlier than planned.



Better-than-expected adoption to environmental changes

Toward achieving the targets earlier than planned

Operating profit targets and results/forecast

[100 million yen]



Outlook for FY3/2020

Implement strategies to address changes in the business environment, and aim at earlier achievement of the Medium-Term Plan and building of a platform for further growth.

Expand and deepen business domains

Expand the automotive business

Start the area strategy in a full scale

Strengthen the Solution Business

Expand the managerial agency business for foreign technical interns

Build a platform to accelerate growth and respond to changes in the business environment.

Rising uncertainties in the semiconductors and electronics components sector, due to changes in the macro environment

3. Commitments

3. Commitments

Our Commitments

EBITDA growth rate: **30% or more** (CAGR during the 5-year plan)

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

Gross D/E ratio: **1.0 or less** (To be achieved in FY3/2021)

- Gross debt/equity 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.

- Total return ratio

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

Total return ratio = (Dividends + Shares bought back) / Net profit after tax

Reference Materials

4. About UT Group

Corporate Outline

As of February 1, 2019

Corporate Outline

Corporate name:	UT Group Co., Ltd.
Founded:	April 2, 2007
Capital:	680 million yen
Listing:	JASDAQ (Tokyo Stock Exchange) (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

Comprehensive manufacturing outsourcing

UT Community

Comprehensive manufacturing outsourcing

UT Global

Agency service for foreign technical interns

Solution Business

UT Pabec

Battery manufacturing outsourcing

UTHP

Comprehensive manufacturing outsourcing

FUJITSU UT

Comprehensive manufacturing outsourcing

Engineering Business

UT Technology

Outsourcing and subcontracting of engineers in design & development and IT

UT Construction

Construction engineer outsourcing

Lei Hau'oli

Website production

Other Business

UT Agent

Fee-charging employment agency

UT Life Support

Internal benefit program management

UT Heartful

Special Subsidiary Company

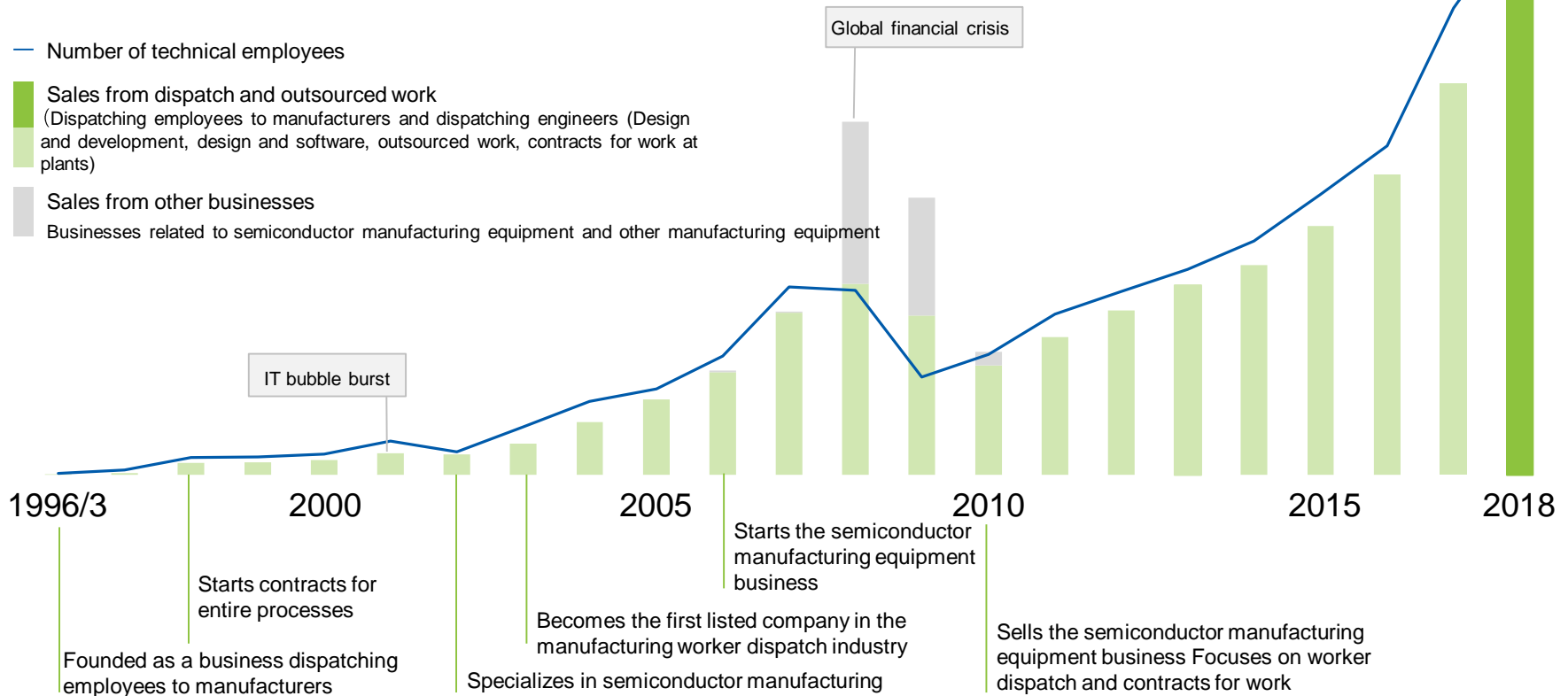
4. About UT Group

Leading Company Dispatching Workers to Manufacturers

Creating vigorous workplaces empowering workers

From day one, UT Group has been dispatching employees under open-ended employment contracts, an unusual practice in the manufacturing industry. UT Group has introduced systems from the perspective of employees, and has achieved a high retention rate. The number of technical employees has been recording record highs.

FY3/2018
Technical employees
18,569
Consolidated sales
¥81.7bn



4. About UT Group

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

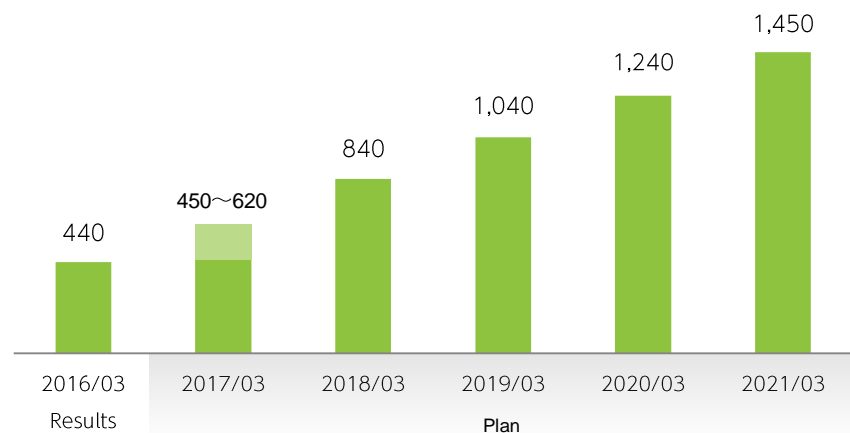


4. About UT Group

Medium-Term Business Plan (from FY3/2017 to FY3/2021)

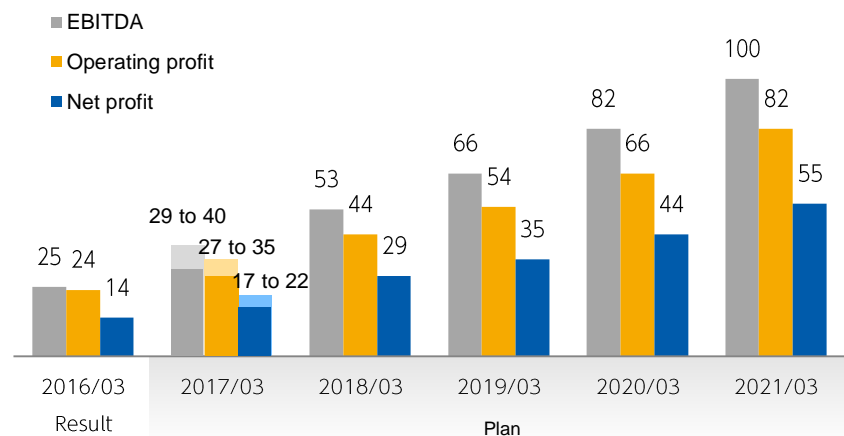
Net sales

(100 million yen)



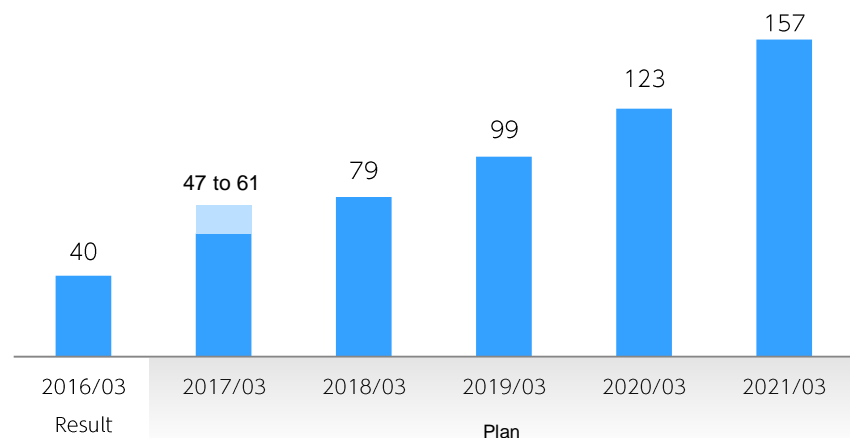
EBITDA, Operating profit, and Net profit

(100 million yen)



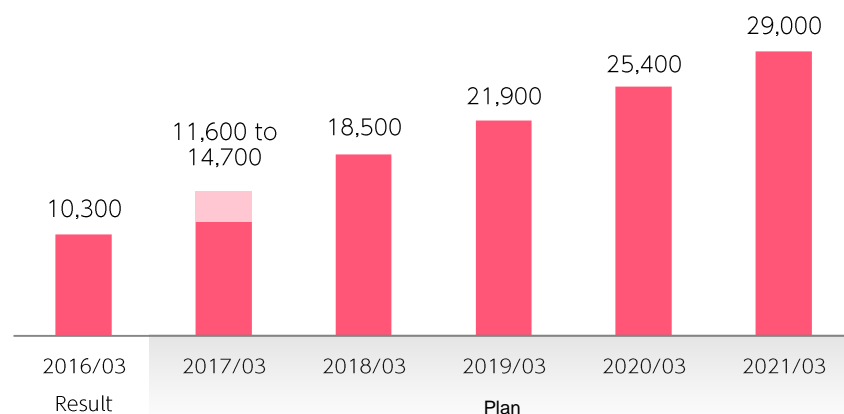
EPS

(Yen)

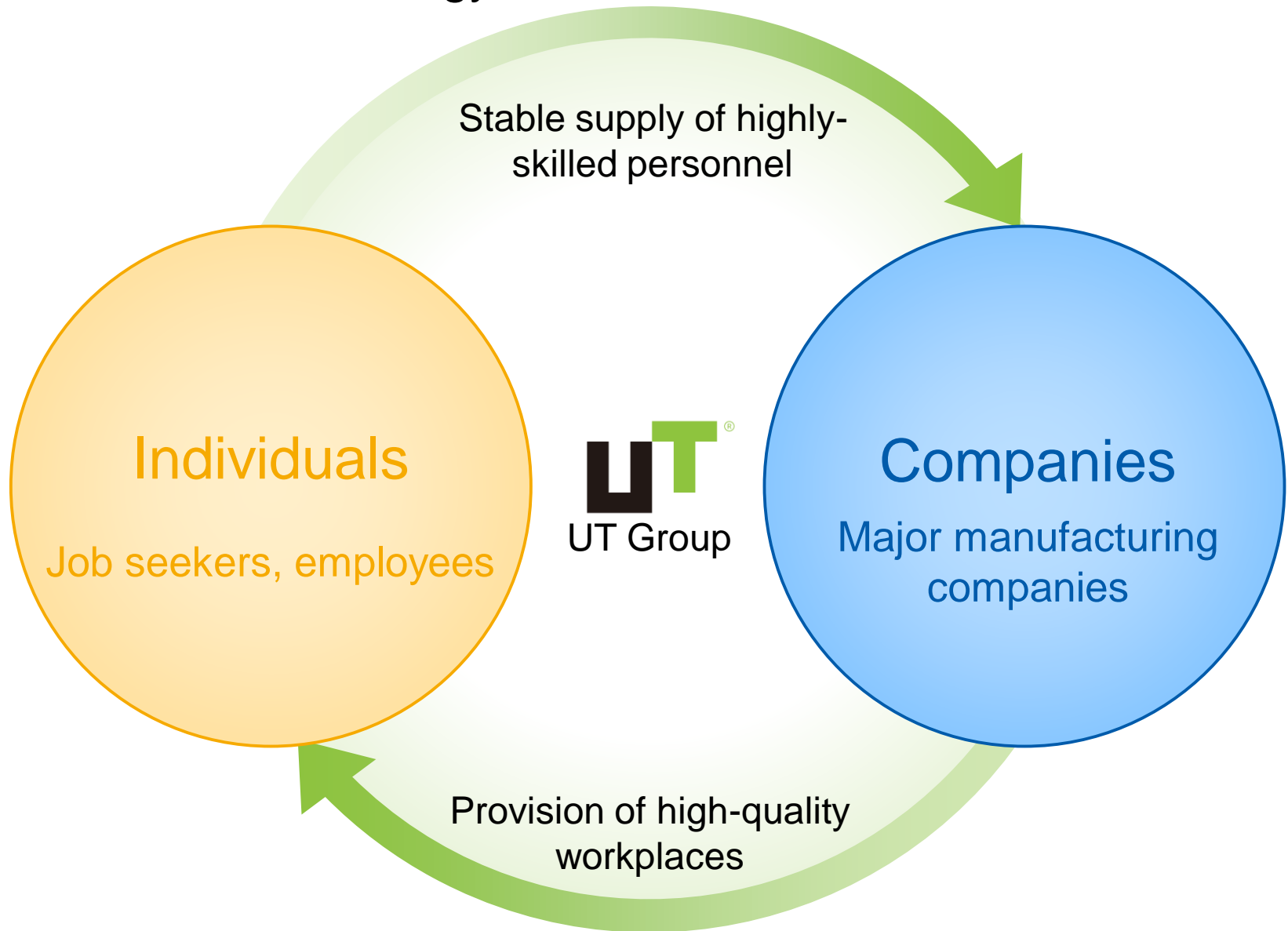


Technical employees

(Persons)



Twin-Customer Strategy and Career Platform



4. About UT Group

UT's Key Points, Named by Employees to be Dispatched

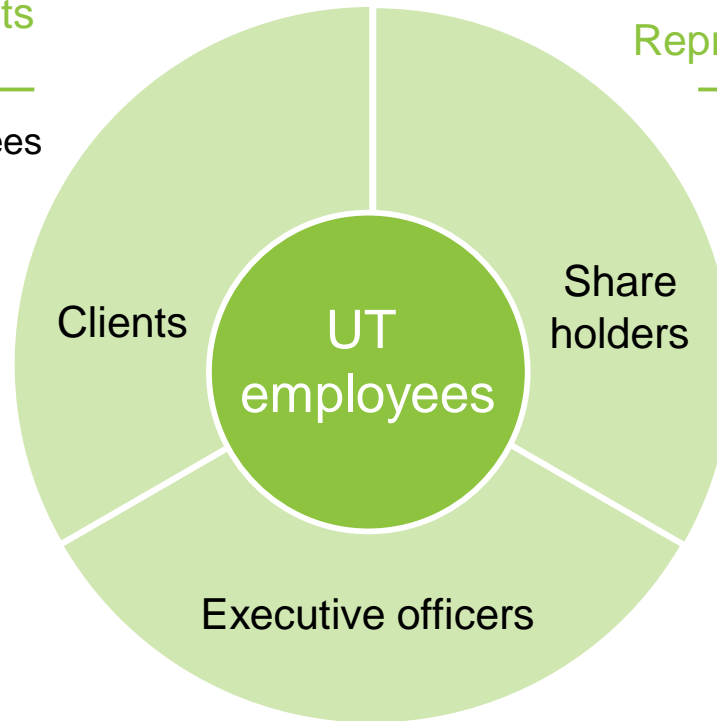
Considering employees as its most important clients

Employment as regular employees

Career consulting

Education and training

Opportunities for career advancement



Representing 11% of shareholders

Employee shareholding plan

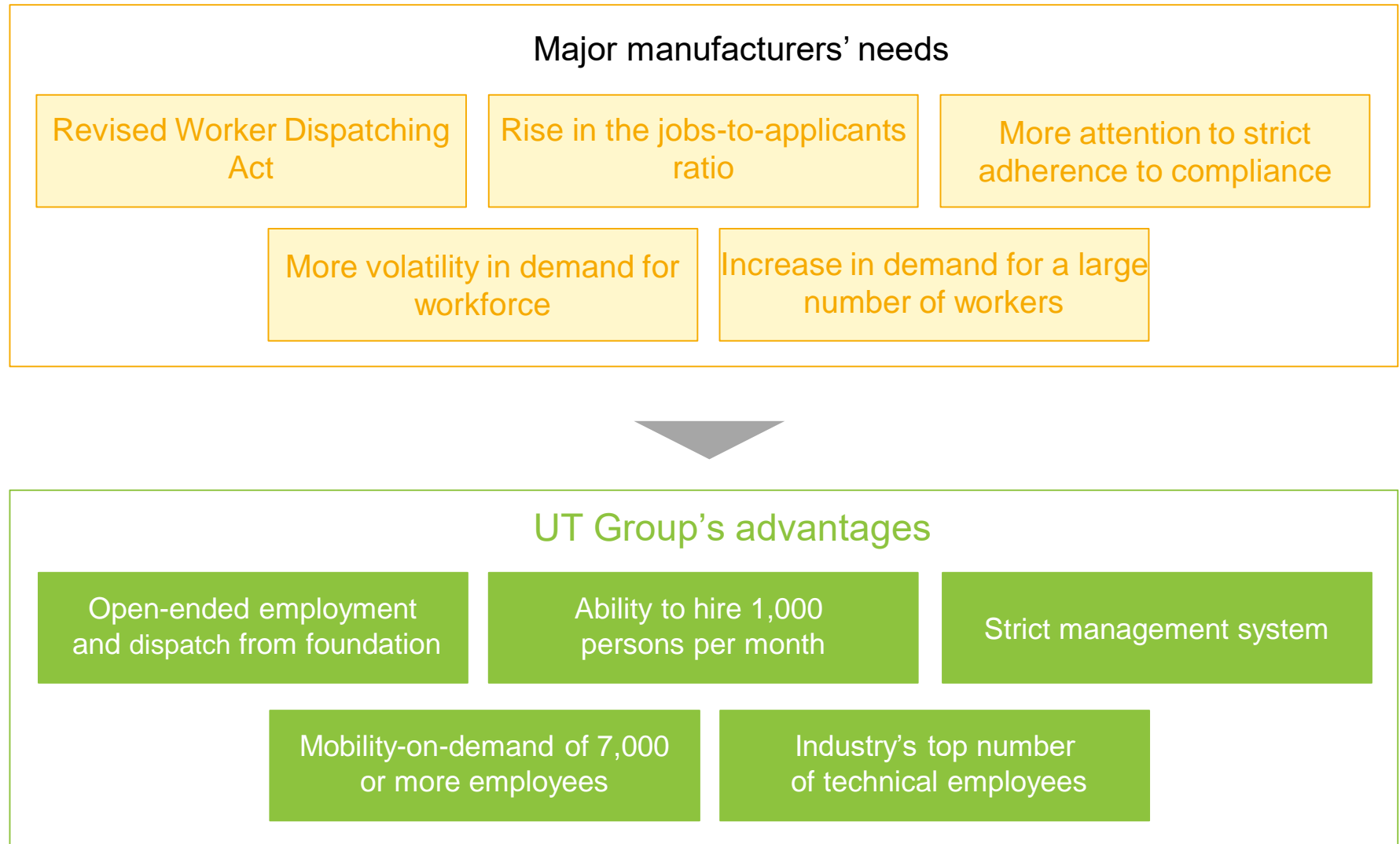
Employee Stock Ownership Plan
(ESOP) Trust

50% of executive officers have an experience of being dispatched.

“Entry System”

- UT Group's dispatched workers play a leading role in the company. Capable, motivated people are hence attracted.

Business Environment of the Manufacturing Dispatch Industry



4. About UT Group

Changing Business Environment Driven by Revised Regulations and Labor Shortage

Tightening and easing of regulations against dispatching agencies

2015: Revised Worker Dispatching Act

Tighter regulation

Restricted fixed-term employment dispatch.
Required dispatch companies to support career advancement of workers.
Unified the labor dispatch business to a license system.

Deregulation

Open-ended (indefinite-term) employment dispatch was favorably treated.

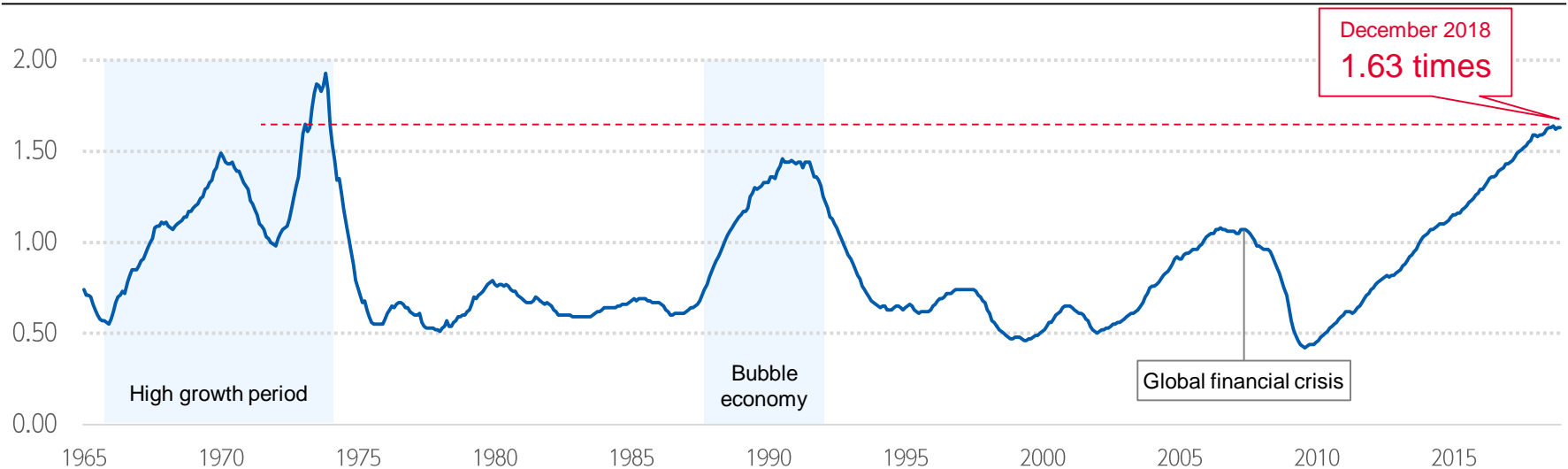
Tighter regulations concerning contract workers

2013: Revised Labor Contracts Act

Tighter regulation

Risk of an increase in companies' fixed costs

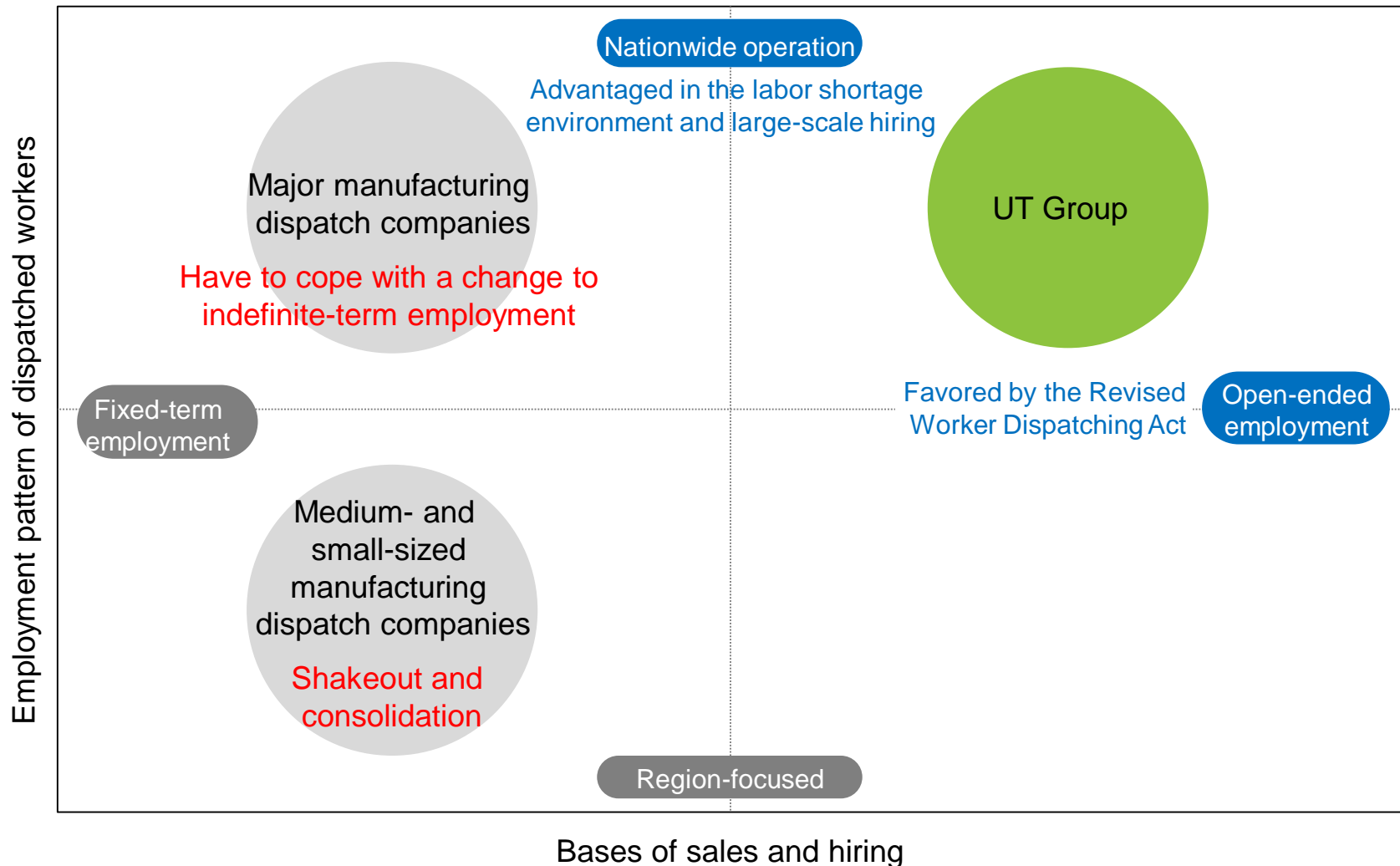
■ Jobs-to-applicants ratio in Japan



Source: "The status of general job placements" by the Ministry of Health, Labour and Welfare

4. About UT Group

Changing Business Environment Are Favorable to UT's Strategy



4. About UT Group

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. The Medium-Term Business Plan specifies a commitment to achieve a gross debt/equity ratio of 1.0 or less by FY3/2021 and EBITDA growth rate of 30% or more during the 5-year plan.

UT Group regards consistently 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.

Total return ratio

(Thousand yen)

	FY3/2015	FY3/2016	FY3/2017	FY3/2018
Net profit	1,168,338	1,497,496	2,033,027	3,534,596
Dividends paid	-	-	-	-
Amount of share buyback	999,985	749,973	609,862	1,060,818
Total return ratio	85.6%	50.1%	30.0%	30.0%

$$\text{Total return ratio} = (\text{Dividends} + \text{share buyback}) / \text{Net profit} = 30\%$$

Ratios for dividends and share buyback are determined by the level of stock price (PEG ratio¹)

PEG ratio < 1 time

Return to shareholders by share buyback

PEG ratio = 1-2 times

Return to shareholders dividend payment and share buyback

PEG ratio > 2 times

Return to shareholders by dividend payment

Based on the above policy, optimal shareholder return is to be determined and executed

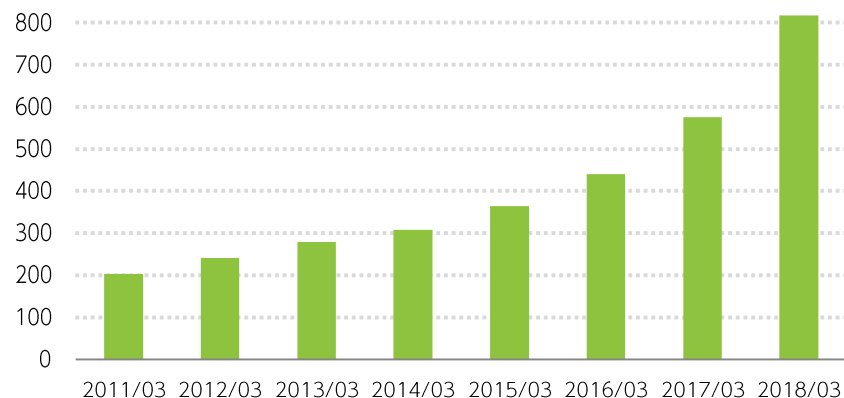
¹ PEG ratio (Price Earnings Growth Ratio) = Estimated PER/EPS growth rate

4. About UT Group

Trends of Business Results

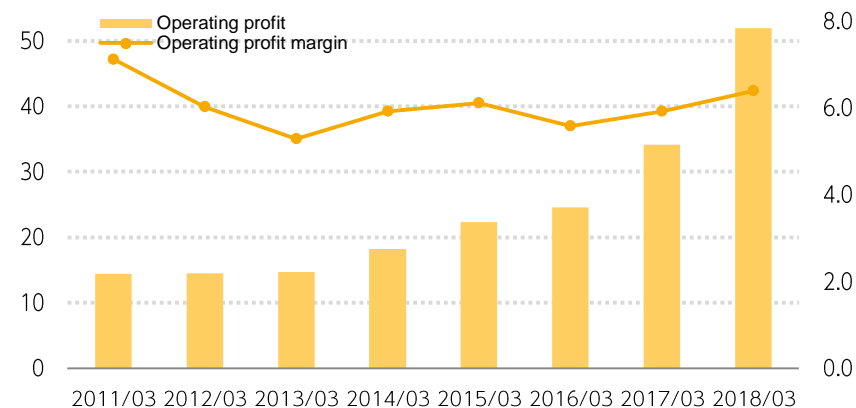
Net sales

(100 million yen)



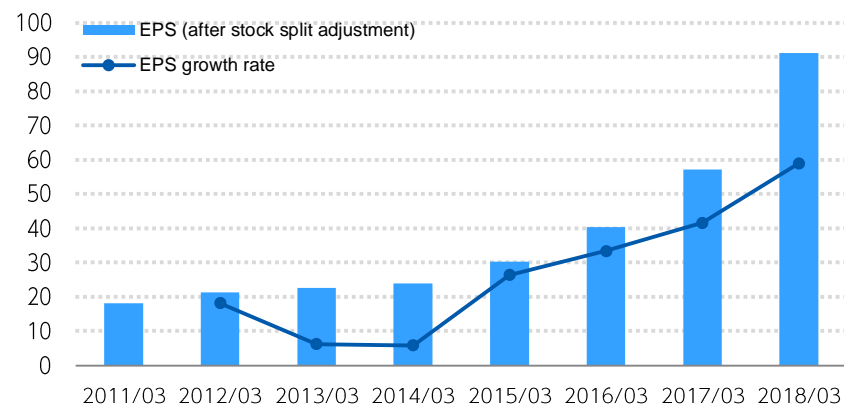
Operating profit (LH) and Operating profit margin (RH)

(100 million yen, %)



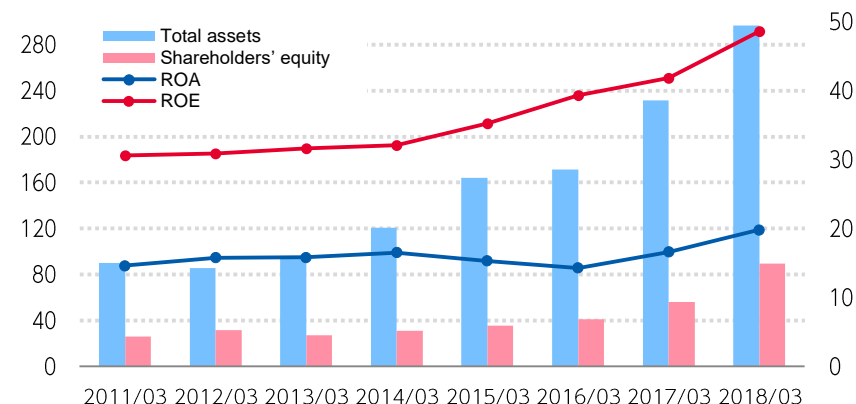
EPS and EPS growth rate

(Yen, %)



Total assets and Shareholders' equity (LH) ROA and ROE (RH)

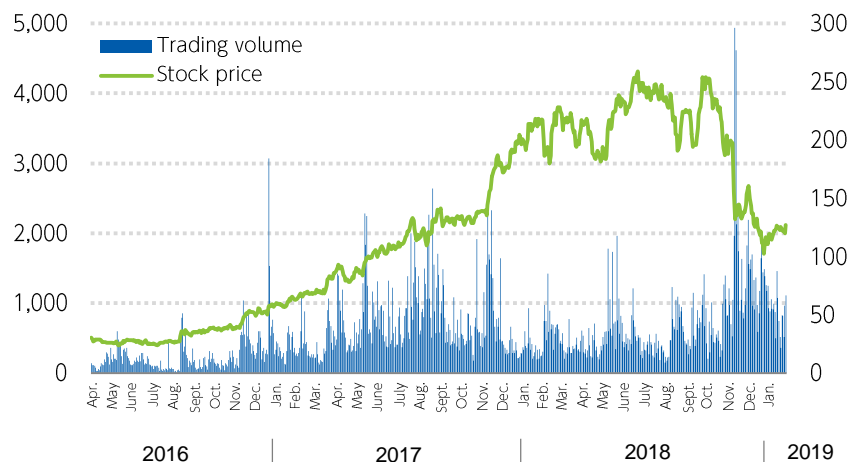
(100 million yen, %)



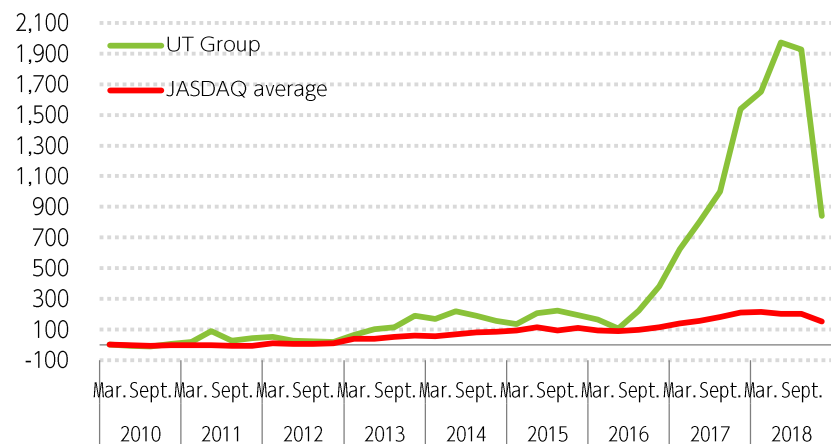
4. About UT Group

Trends of Stock Price

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

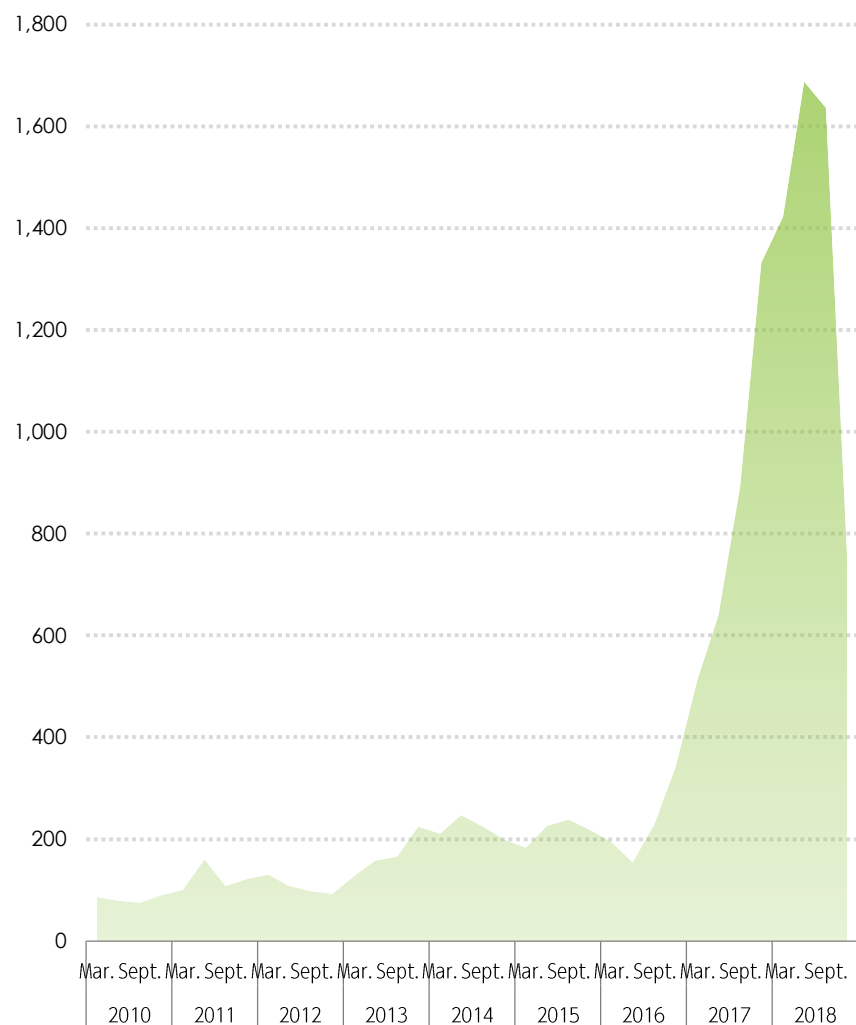


Changes in stock price
(compared with the level on March 31, 2010) (%)



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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