



Second Quarter of Fiscal Year Ending March 31, 2020

# Financial Results

November 11, 2019

UT Group Co., Ltd.

Securities Code: 2146

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Fiscal Year Ending March 2020

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# 1. Topics

## 1. Topics

Approved to change stock market listing to the First Section of the Tokyo Stock Exchange



To be listed in the First Section of the Tokyo Stock Exchange on  
November 14, 2019

## 1. Topics

# Received the Porter Prize for 2019



UT Group won the award based on high acclaim for the Manufacturing Business which has developed the abilities and attitudes of workers while giving them a regular employment in the worker dispatching business to clients' manufacturing plants, and has provided value to both workers and client companies.

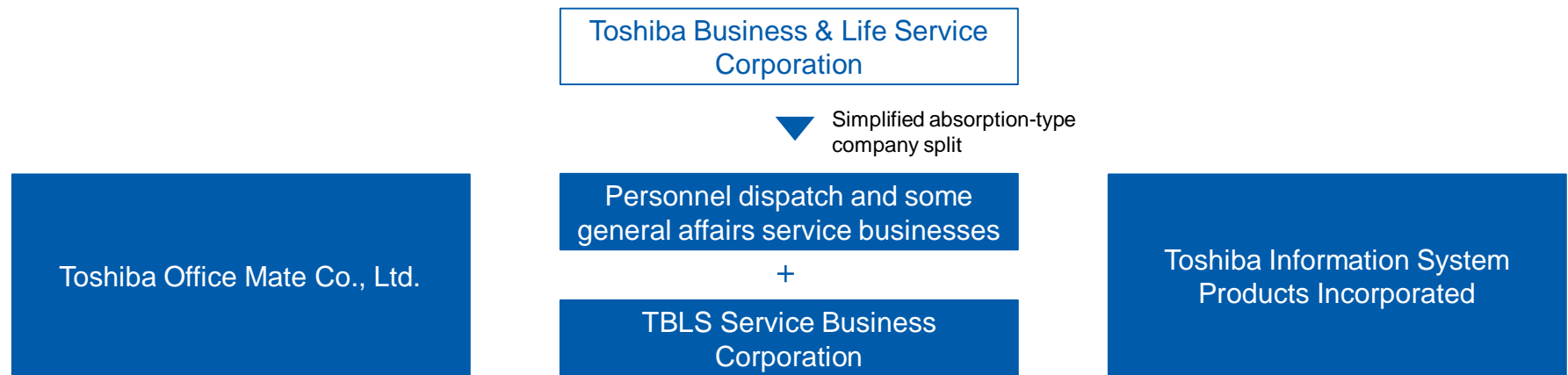
The Porter Prize, managed by Hitotsubashi University's Graduate School of International Corporate Strategy (ICS), was established to bestow recognition on Japanese companies or their business departments that have competed successfully by implementing unique strategies.

## 1. Topics

# UT's Solution Business supports the Toshiba Group's structural reform

UT Group will acquire three Toshiba Group companies engaged in personnel dispatch and other businesses and contribute to maintain employment and career continuity of their workers.

UT Group aims at expanding business in the office dispatch field and enhances the function of post-retirement re-employment of employees of the Toshiba Group.



Aim at creating workplaces where women and elderly are empowered and actively work

## 2. Financial Highlights of Second Quarter of Fiscal Year Ending March 2020

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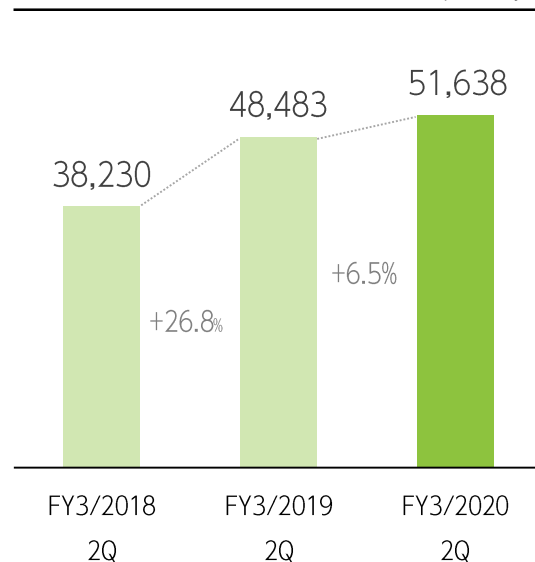
# Highlights of Consolidated Results

Sluggish business in the semiconductors and electronic components sector was offset by growth in the automotive related and other sectors.

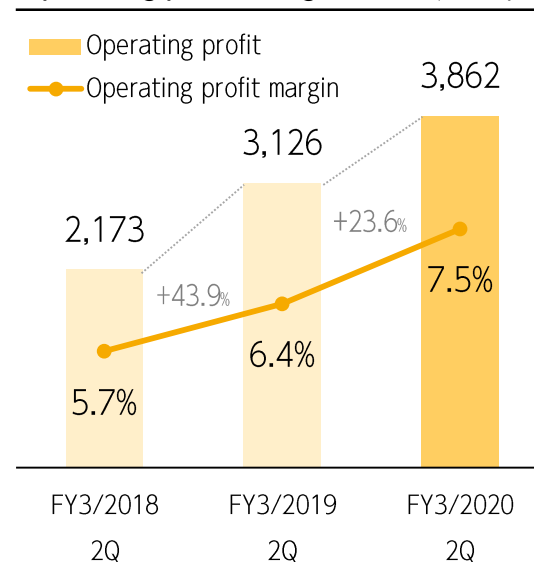
Growth in high-unit-price projects and good cost management helped improve operating margin.

Extraordinary loss in the first quarter was caused by a one-off factor.

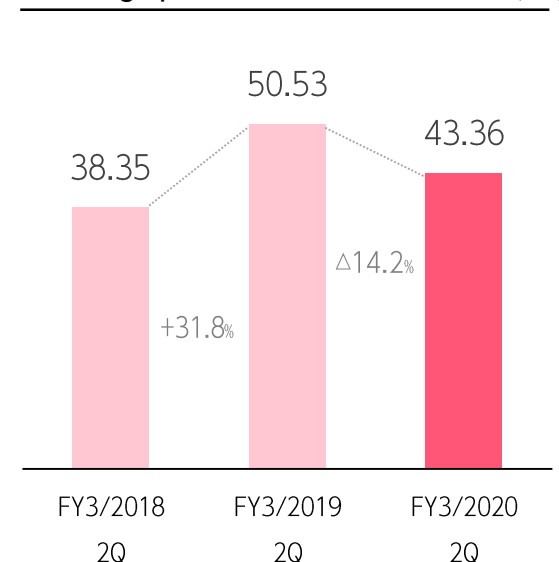
Net sales (Million yen)



Operating profit and Operating profit margin (Million yen)



Earnings per share (Yen)





## 2. Financial Highlights of Second Quarter of Fiscal Year Ending March 2020

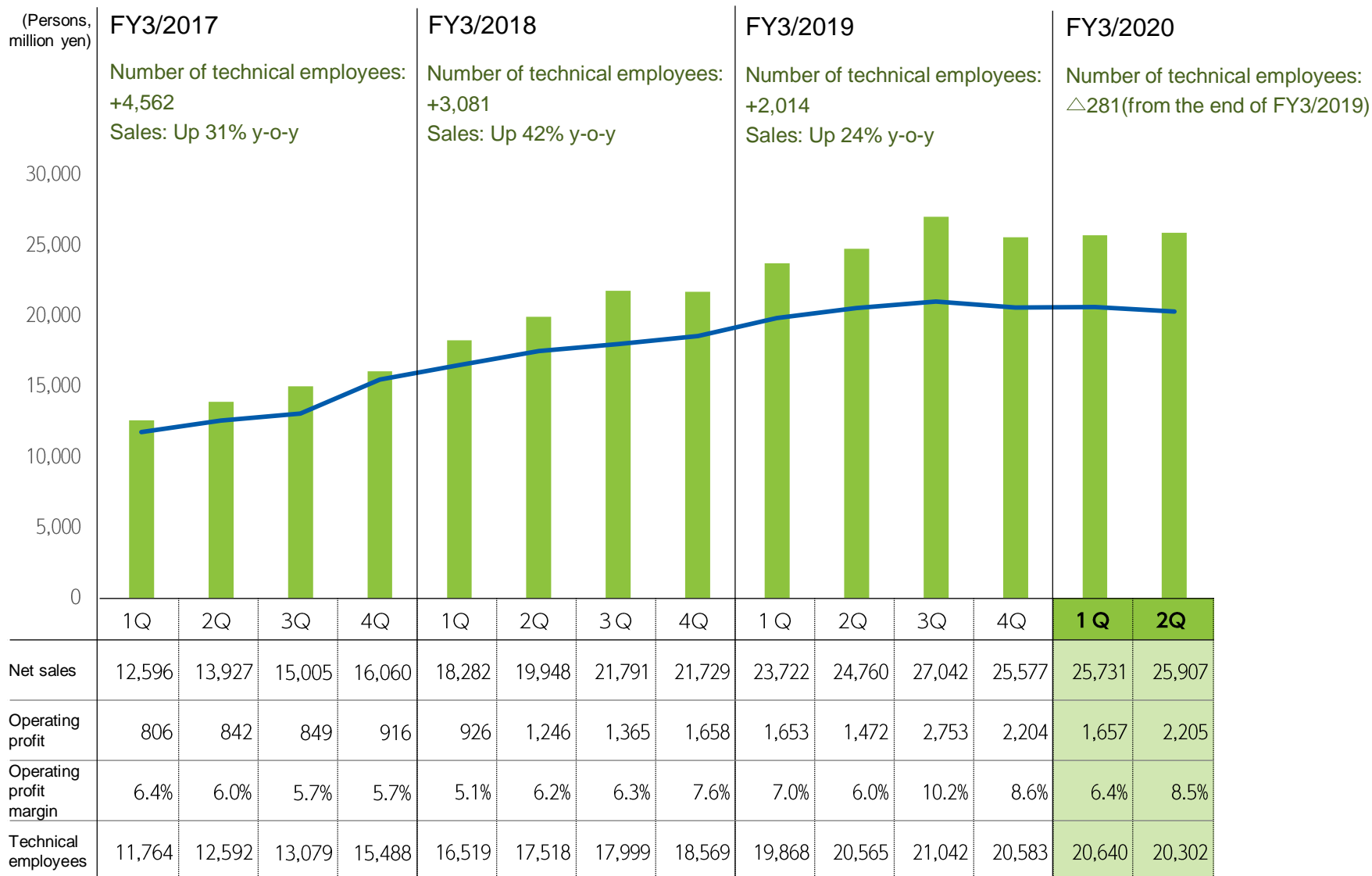
### Summary of Statement of Income

(Million yen)

	2Q of FY3/2019		2Q of FY3/2020		Year-on-Year	
	Results	% to net sales	Results	% to net sales	Amount	Change
Net sales	48,483	100.0%	51,638	100.0%	3,155	6.5%
Gross profit	9,627	19.9%	9,982	19.3%	355	3.7%
Selling, general and administrative expenses	6,501	13.4%	6,119	11.9%	△381	△5.9%
Operating profit	3,126	6.4%	3,862	7.5%	736	23.6%
EBITDA	3,411	7.0%	4,139	8.0%	728	21.3%
Ordinary profit	3,124	6.4%	3,897	7.5%	773	24.7%
Net profit attributable to UT Group	2,040	4.2%	1,749	3.4%	△290	△14.2%
Number of technical employees (Persons)	20,565	—	20,302	—	△263	△1.3%

## 2. Financial Highlights of Second Quarter of Fiscal Year Ending March 2020

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



## 2. Financial Highlights of Second Quarter of Fiscal Year Ending March 2020

### Summary of Balance Sheet

(Million yen)

	June 30, 2019		September 30, 2019		Quarter-on-Quarter	
	Results	% of total	Results	% of total	Amount	%
Current assets	25,620	87.5%	24,856	87.4%	△764	△3.0%
Cash and deposits	11,642	39.8%	11,275	39.6%	△367	△3.2%
Notes and accounts receivable - trade	12,470	42.6%	12,265	43.1%	△204	△1.6%
Non-current assets	3,668	12.5%	3,584	12.6%	△83	△2.3%
Property, plant and equipment	311	1.1%	301	1.1%	△9	△3.0%
Intangible assets	2,061	7.0%	1,982	7.0%	△78	△3.8%
Goodwill	1,332	4.5%	1,254	4.4%	△78	△5.9%
Investments and other assets	1,296	4.4%	1,300	4.6%	4	0.3%
Total assets	29,288	100.0%	28,440	100.0%	△848	△2.9%
Current liabilities	15,037	51.3%	13,074	46.0%	△1,962	△13.1%
Short-term borrowings and current portion of long-term debts	1,782	6.1%	1,684	5.9%	△98	△5.5%
Long-term liabilities	3,461	11.8%	3,123	11.0%	△338	△9.8%
Long-term debts	3,320	11.3%	2,974	10.5%	△346	△10.4%
Net assets	10,789	36.8%	12,242	43.0%	1,452	13.5%
Shareholders' equity	10,693	36.5%	12,141	42.7%	1,447	13.5%
Total liabilities and net assets	29,288	100.0%	28,440	100.0%	△848	△2.9%
Gross debt/equity ratio	0.48	—	0.38	—	—	—

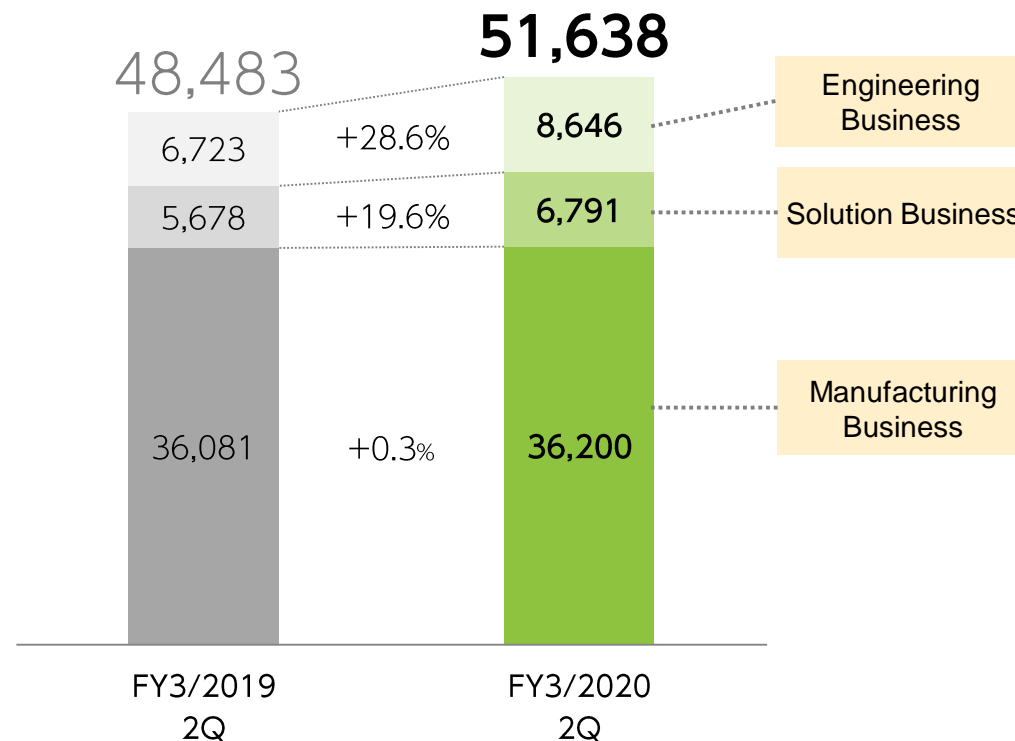
## 2. Financial Highlights of Second Quarter of Fiscal Year Ending March 2020

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

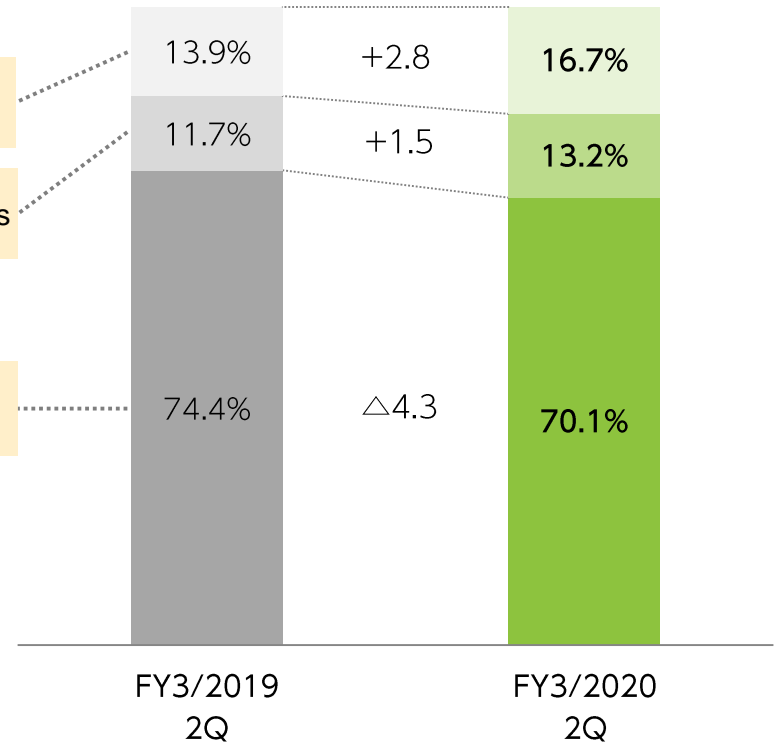
- The Manufacturing Business had flattish sales due to client companies' production adjustment, affected by the US-China trade friction and other factors.
- The Solution Business and the Engineering Business continued to capture needs of clients.

#### Net sales

(Million yen)



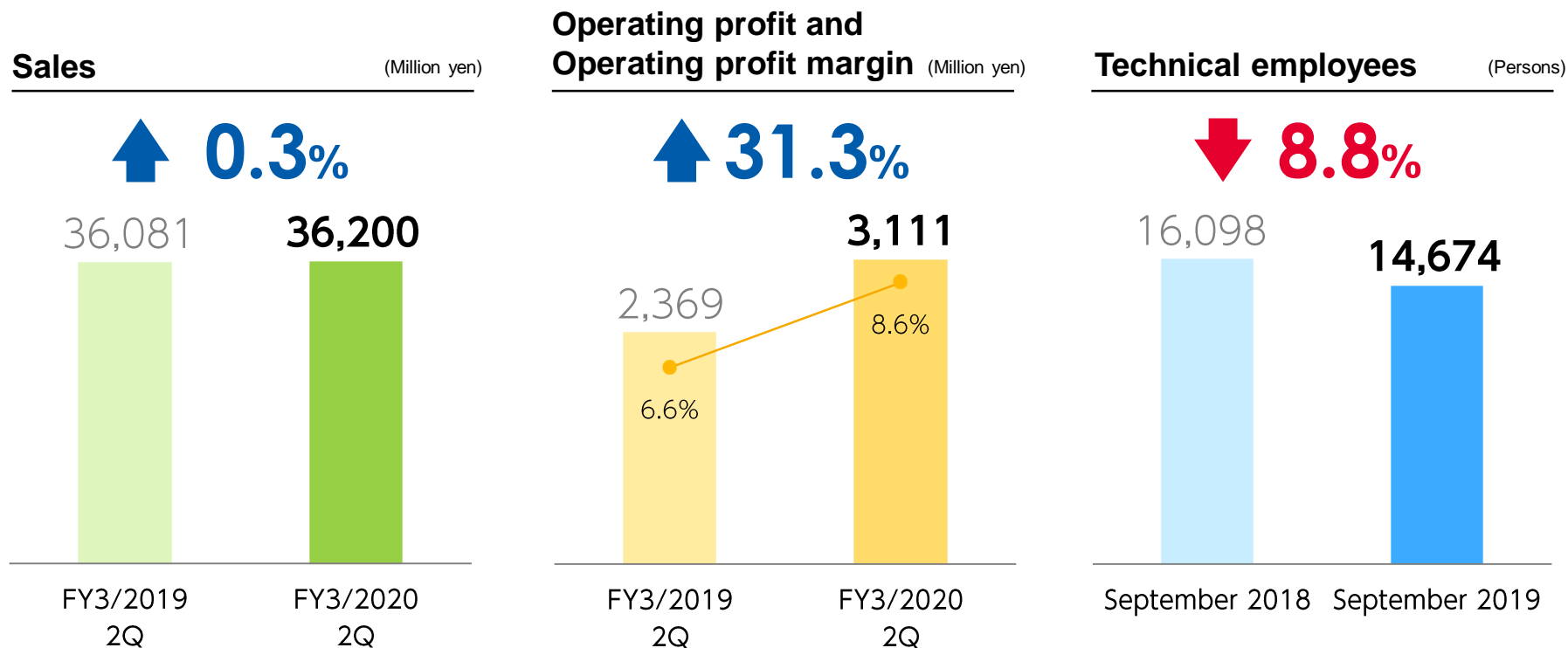
#### Sales composition



## 2. Financial Highlights of Second Quarter of Fiscal Year Ending March 2020

### Results by Segment: Manufacturing Business

- The number of technical employees decreased due to the impact of clients' production adjustment in the semiconductors and electronics components sector while the segment sales were on the flat side y-o-y thanks to growth in high-unit-price orders in the automotive-related and other sectors.
- Growth in high-unit-price orders and increased efficiency in hiring activities contributed to significant improvement in operating profit margin.

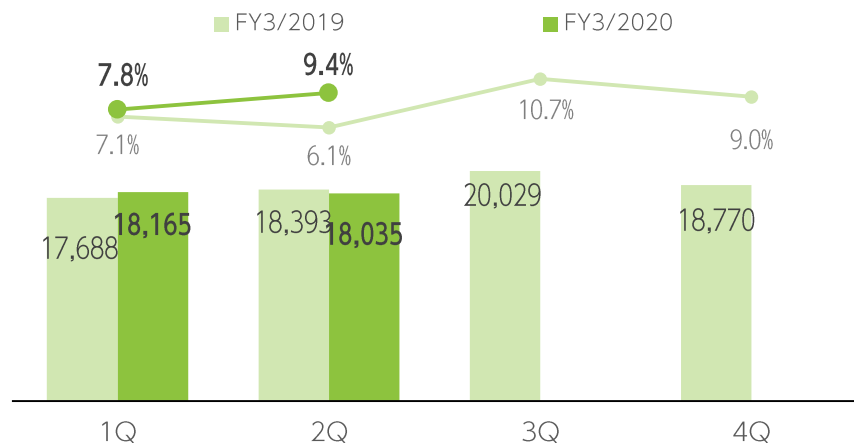


## 2. Financial Highlights of Second Quarter of Fiscal Year Ending March 2020

### Results by Segment: Manufacturing Business

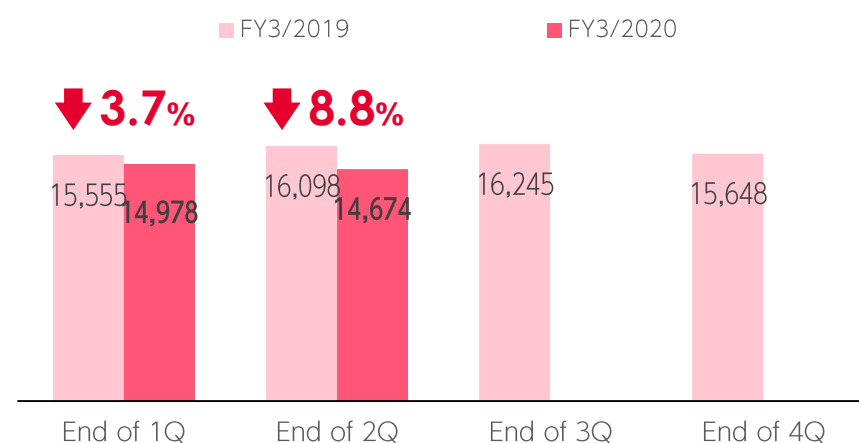
#### Sales and operating profit margin

(Million yen)



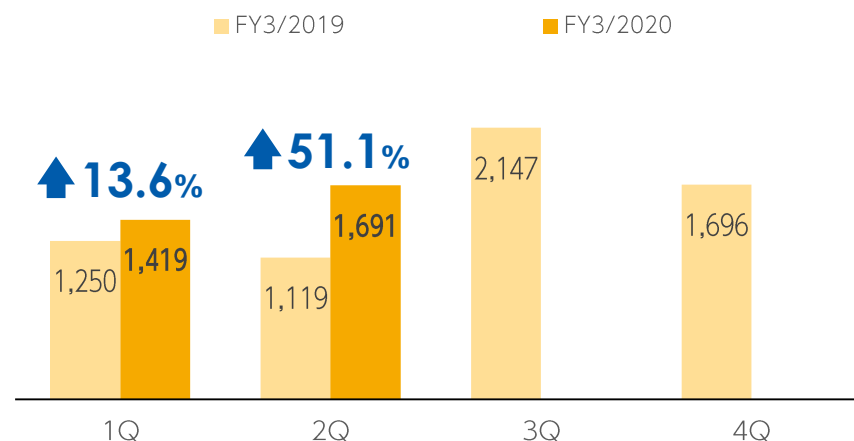
#### Technical employees

(Persons)



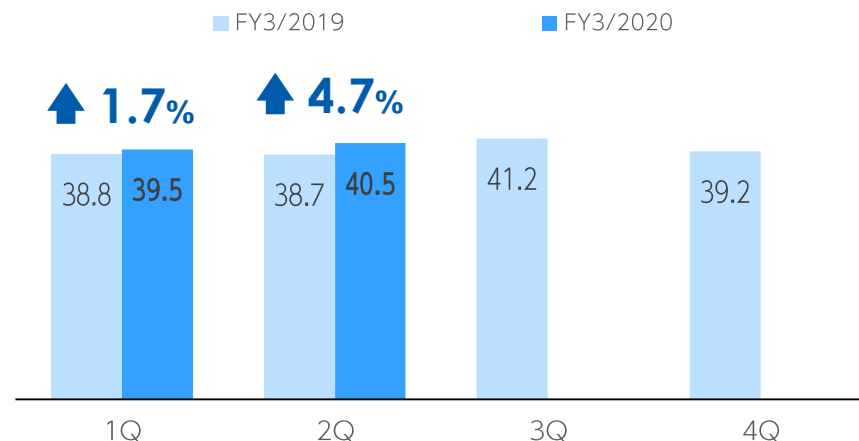
#### Operating profit

(Million yen)



#### Monthly sales per capita

(Ten thousand yen)

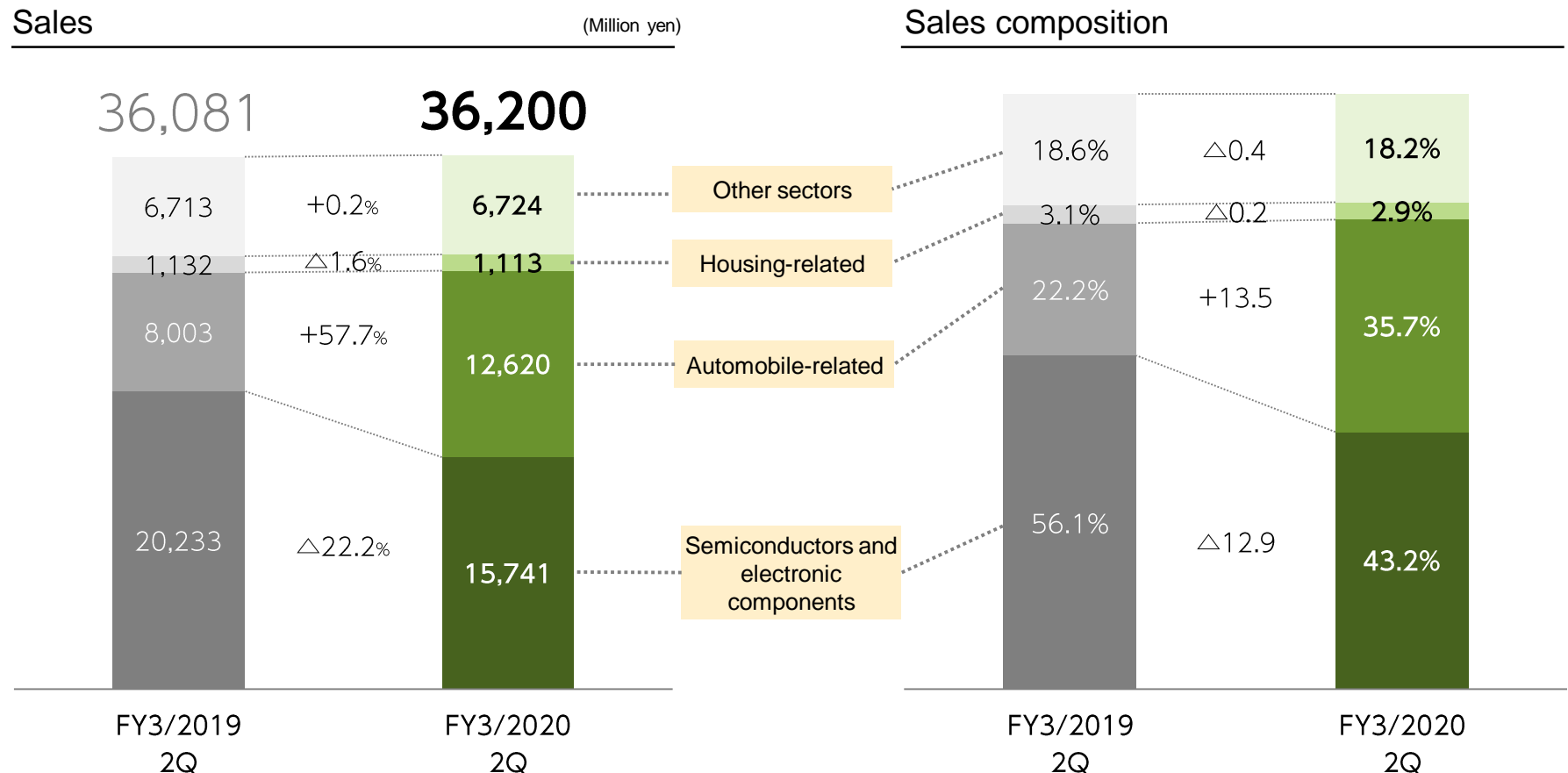


\* Average monthly sales is calculated by dividing quarterly sales by the quarterly average number of technical employees.

## 2. Financial Highlights of Second Quarter of Fiscal Year Ending March 2020

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

- The semiconductors and electronics components sector decreased sales, affected by the US-China trade friction and other factors.
- The automotive-related sector posted substantial increase in sales, capturing automakers' demand for dispatched workers.

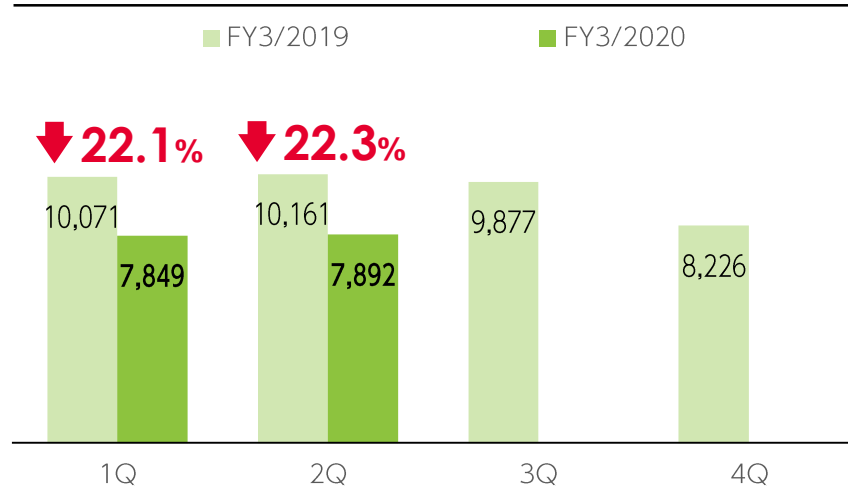


## 2. Financial Highlights of Second Quarter of Fiscal Year Ending March 2020

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

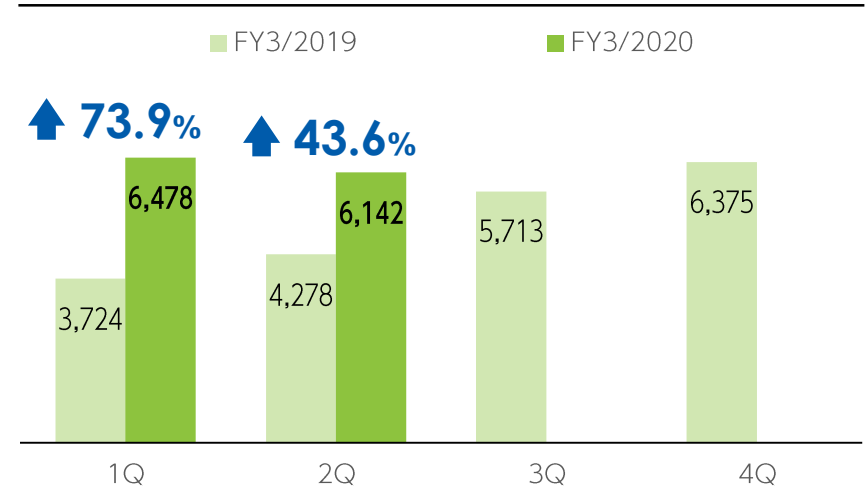
### Semiconductors and electronic components

(Million yen)



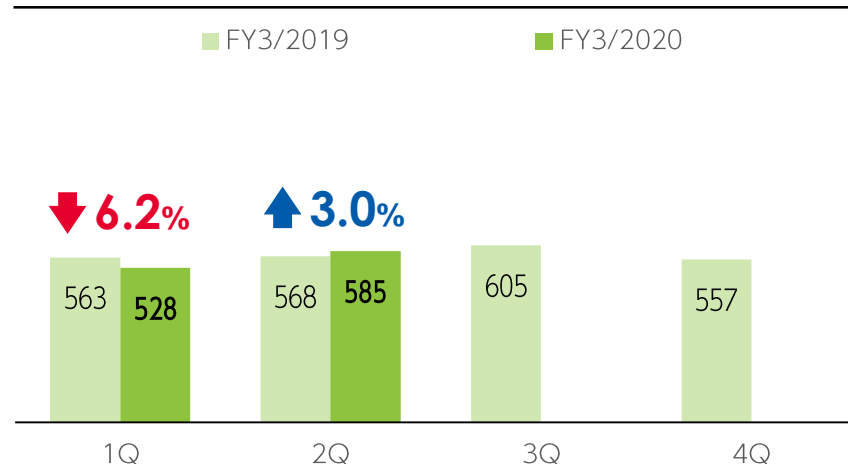
### Automobile-related

(Million yen)



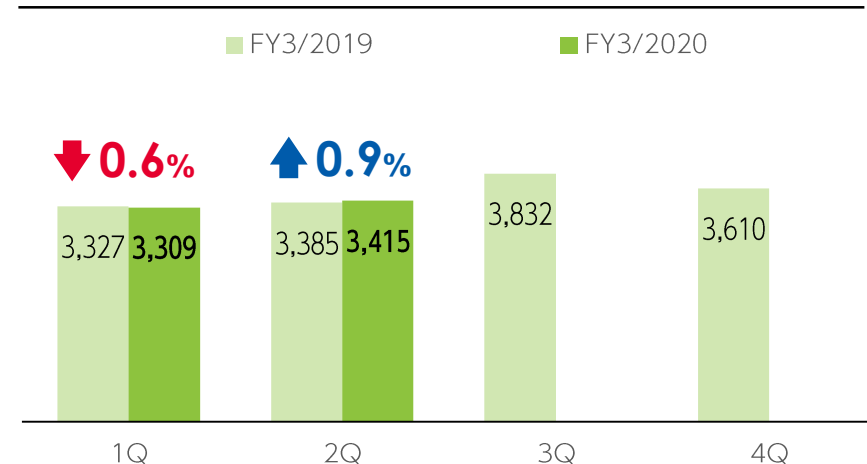
### Housing-related

(Million yen)



### Other sectors

(Million yen)

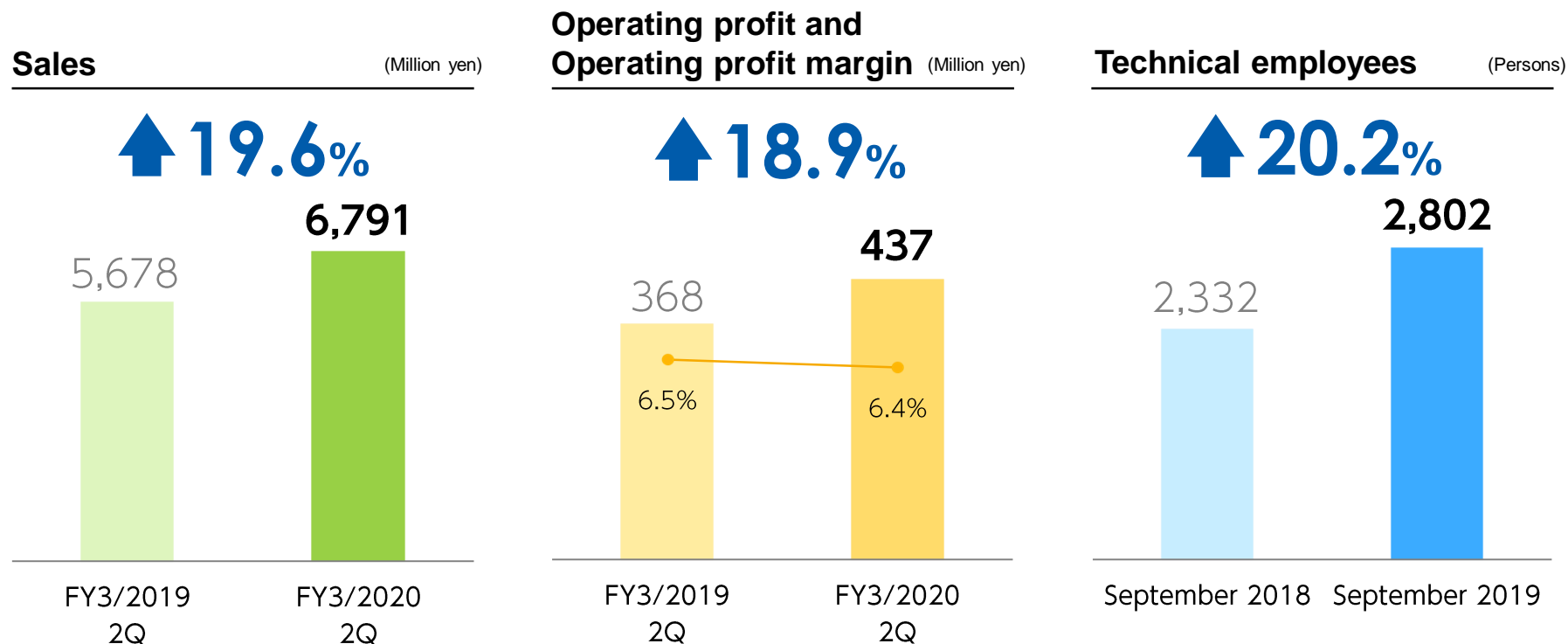




## 2. Financial Highlights of Second Quarter of Fiscal Year Ending March 2020

### Results by Segment: Solution Business

- An increase in transferred workers from client companies and acquisition of a large-lot order for dispatched engineers boosted sales.
- US-China trade friction and other factors led to a decline in outsourced production of batteries for electric vehicles but the operating margin was similar to that of a year ago.

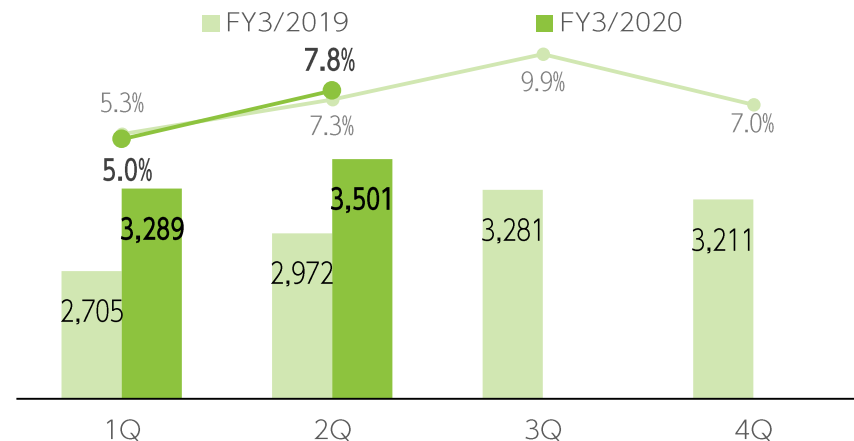


## 2. Financial Highlights of Second Quarter of Fiscal Year Ending March 2020

### Results by Segment: Solution Business

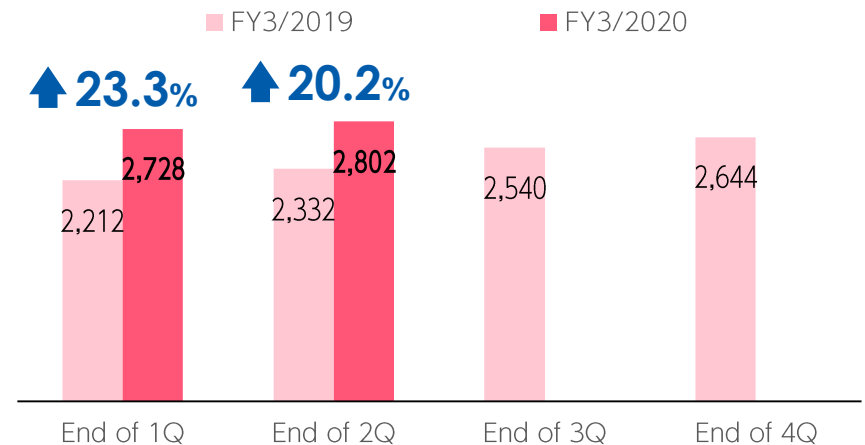
#### Sales and operating profit margin

(Million yen)



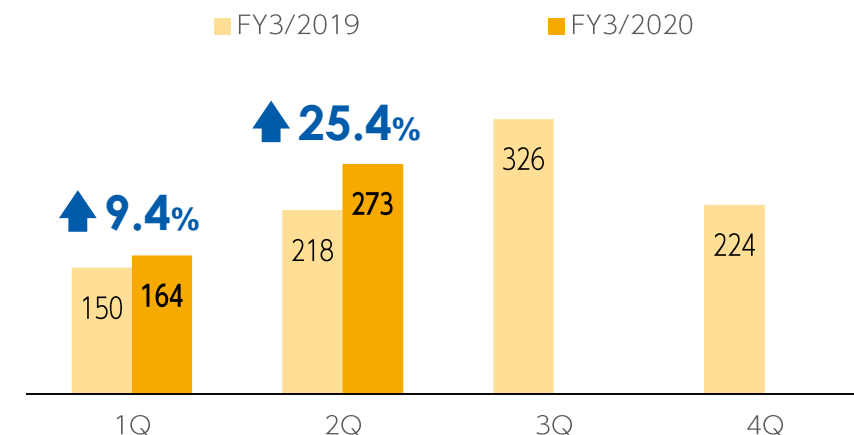
#### Technical employees

(Persons)



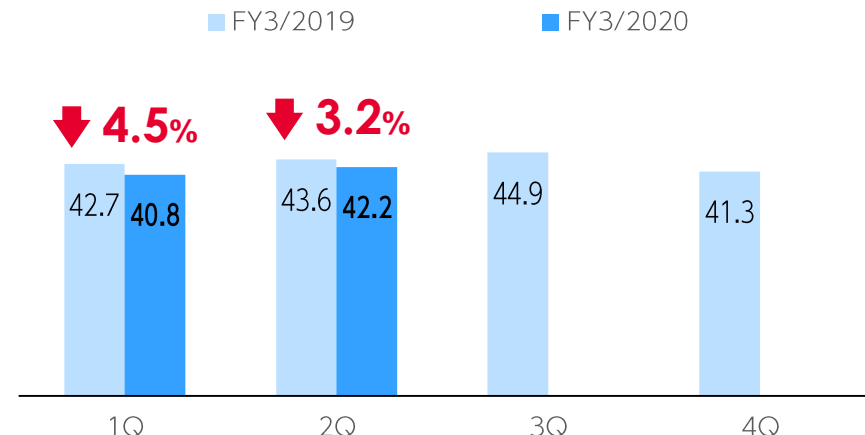
#### Operating profit

(Million yen)



#### Monthly sales per capita

(Ten thousand yen)

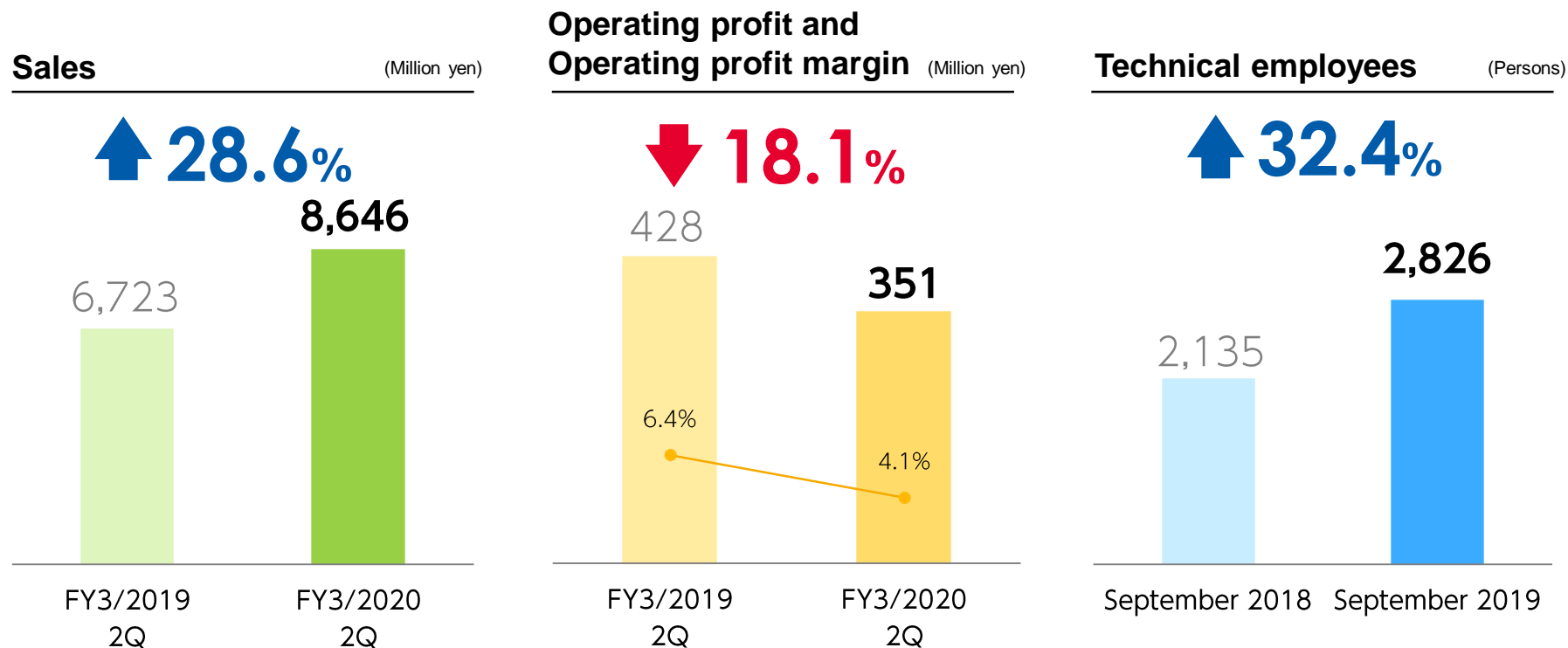


\* Average monthly sales is calculated by dividing quarterly sales by the quarterly average number of technical employees.

## 2. Financial Highlights of Second Quarter of Fiscal Year Ending March 2020

### Results by Segment: Engineering Business

- The number of technical employees substantially increased due to new hires and use of inter-group transfer of employees.
- Operating profit margin decreased due to over 900 new hires, roughly doubling in the number from the previous year, in April.

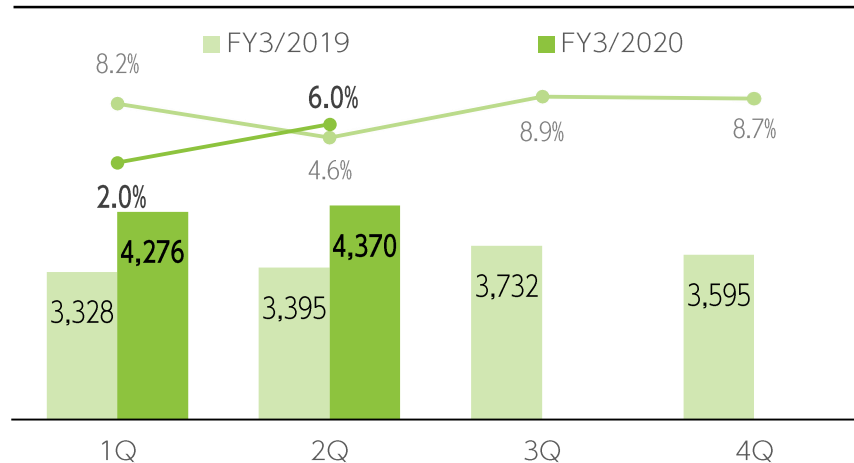


## 2. Financial Highlights of Second Quarter of Fiscal Year Ending March 2020

### Results by Segment: Engineering Business

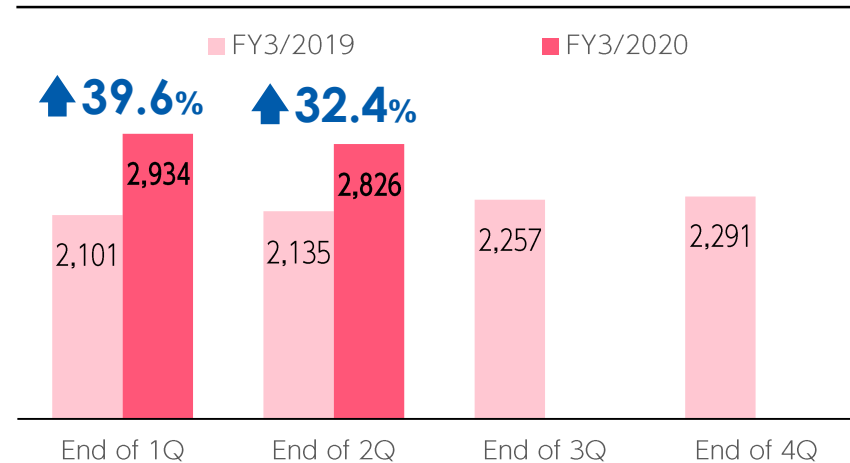
#### Sales and operating profit margin

(Million yen)



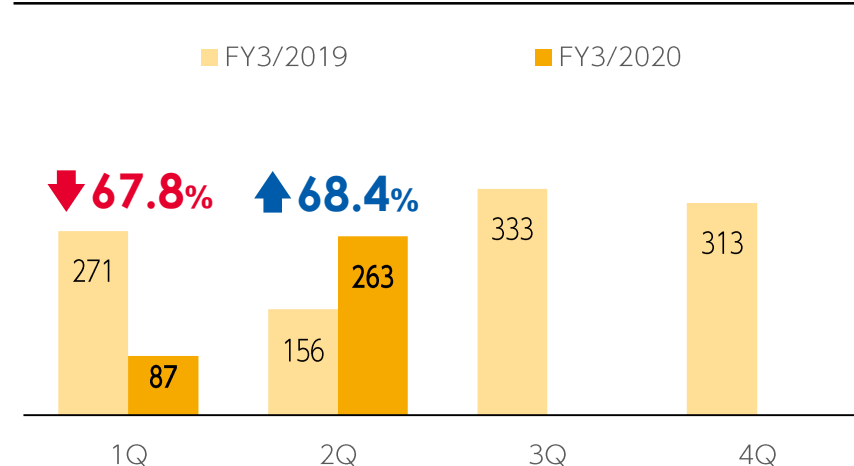
#### Technical employees

(Persons)



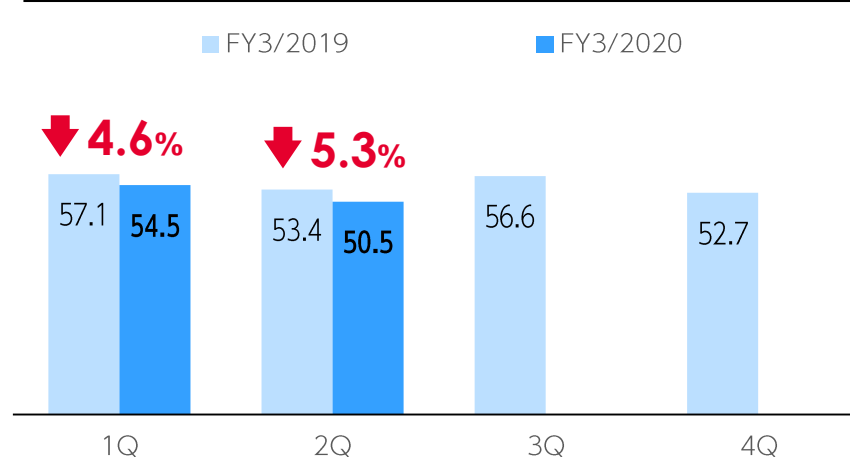
#### Operating profit

(Million yen)



#### Monthly sales per capita

(Ten thousand yen)

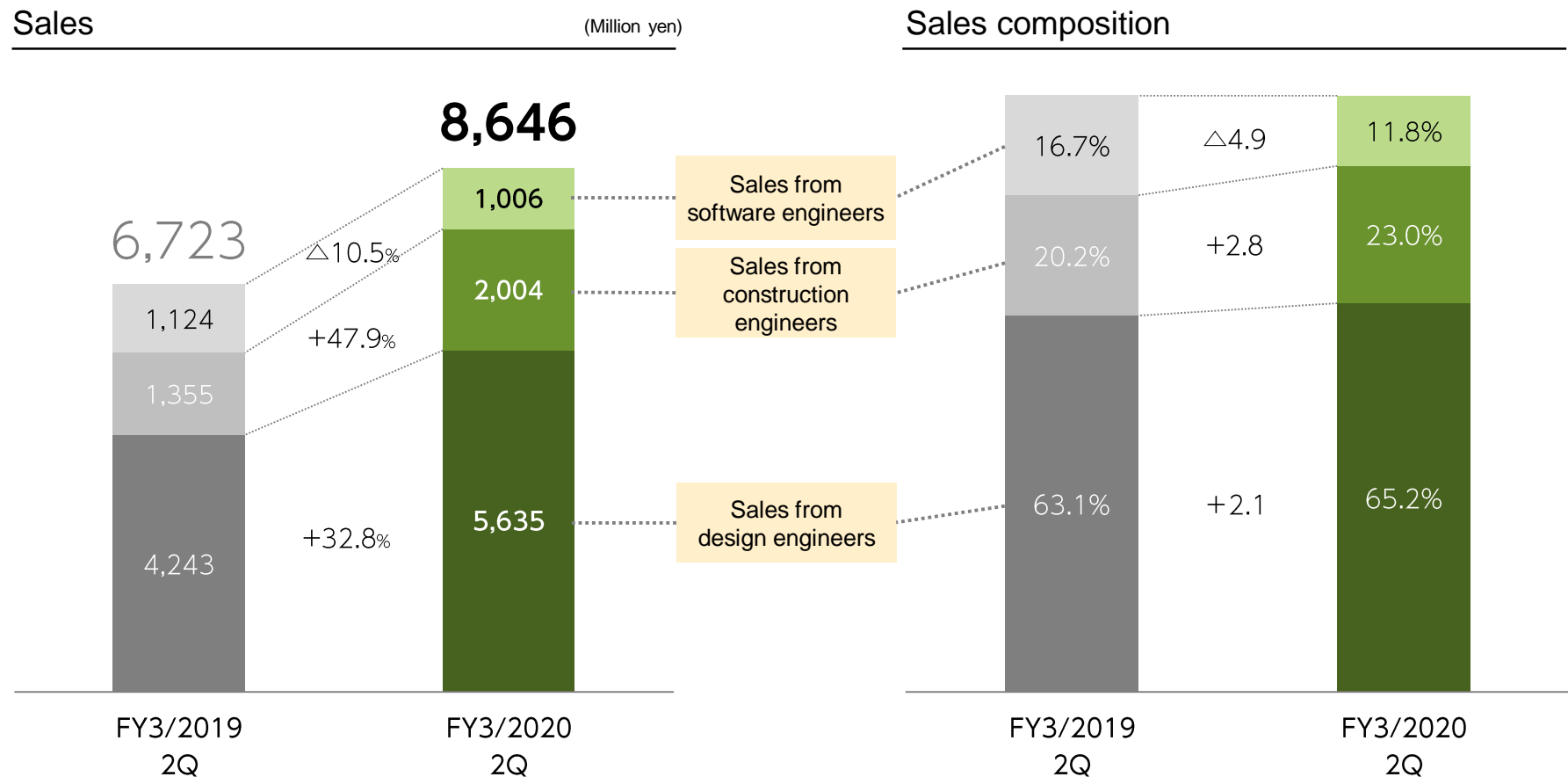


\* Average monthly sales is calculated by dividing quarterly sales by the quarterly average number of technical employees.

## 2. Financial Highlights of Second Quarter of Fiscal Year Ending March 2020

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

- Sales from design engineers increased mainly for equipment maintenance in the manufacturing industry.
- Sales from construction engineers substantially increased on the back of strong construction demand in Japan.

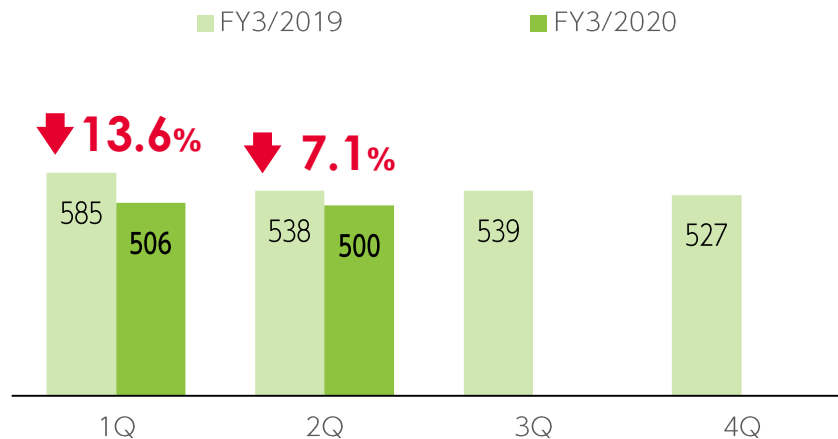


## 2. Financial Highlights of Second Quarter of Fiscal Year Ending March 2020

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

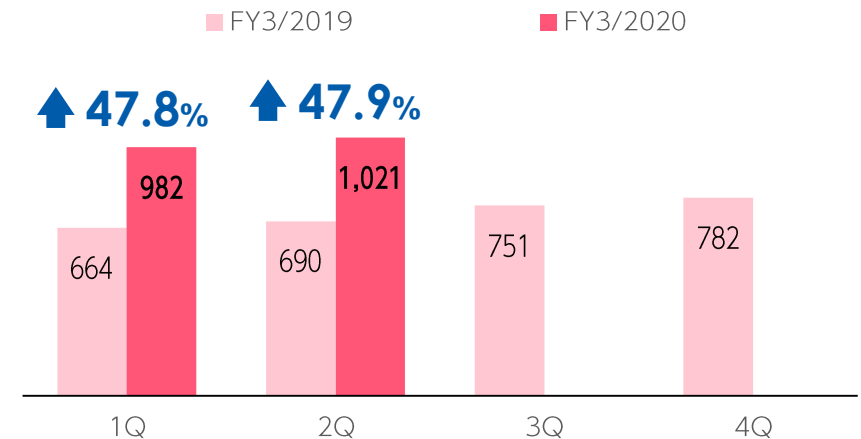
### Sales from software engineers

(Million yen)



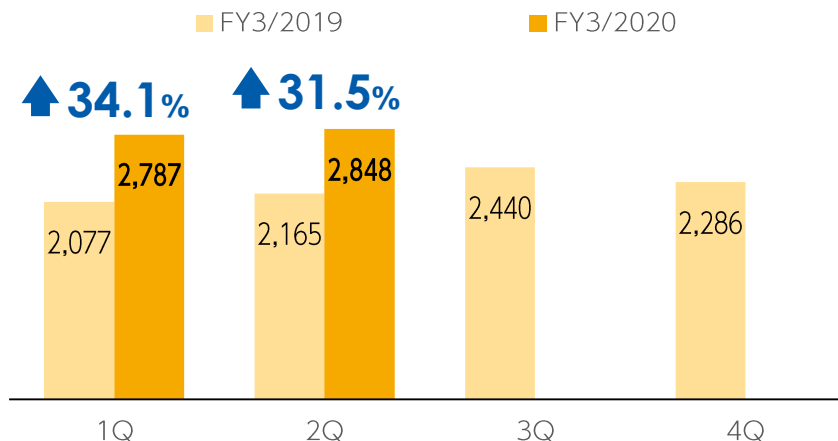
### Sales from construction engineers

(Million yen)



### Sales from design engineers

(Million yen)



# 3. Outlook

## Outlook

- A recovery in demand in the semiconductors and electronics components sector has been delayed beyond what was initially expected but inquiries mainly from SME makers are increasing.
- Demand in the Solution Business is expected to expand as there is a growing momentum toward structural reform, in light of growing uncertainties in the global economic outlook.
- The dispatch industry is likely to become more consolidated given development of laws toward the same work, the same pay.



## 4. Commitments

## 4. Commitments

# Our Commitments

**EBITDA growth rate: 30% or more** (CAGR during the medium-term business plan)

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

**Gross D/E ratio: 1.0 or less** (At the end of the medium-term business plan)

- 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

# Appendix

Reference Materials

## 5. About UT Group

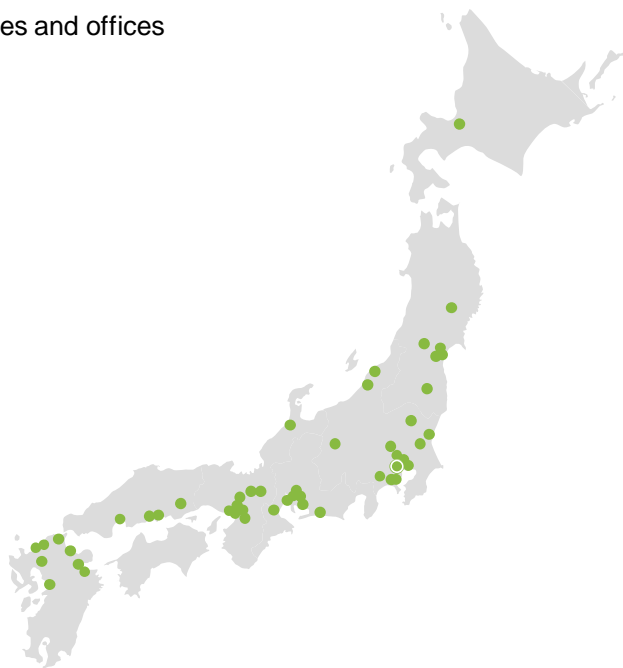
# Corporate Outline

As of November 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

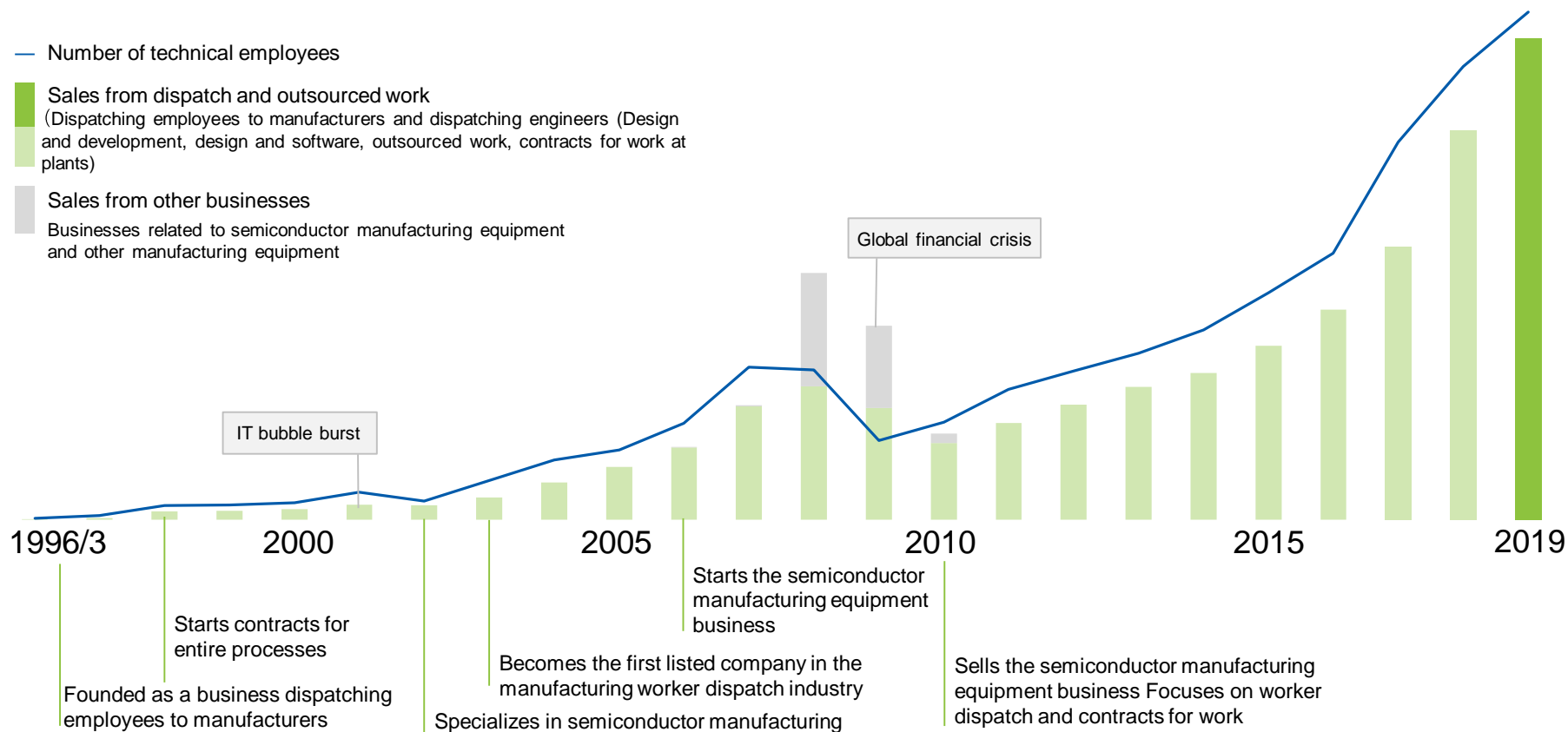
Special Subsidiary Company

# 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.

FY3/2019  
Technical employees  
**20,583**  
Consolidated sales  
**¥101.1bn**



## 5. 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

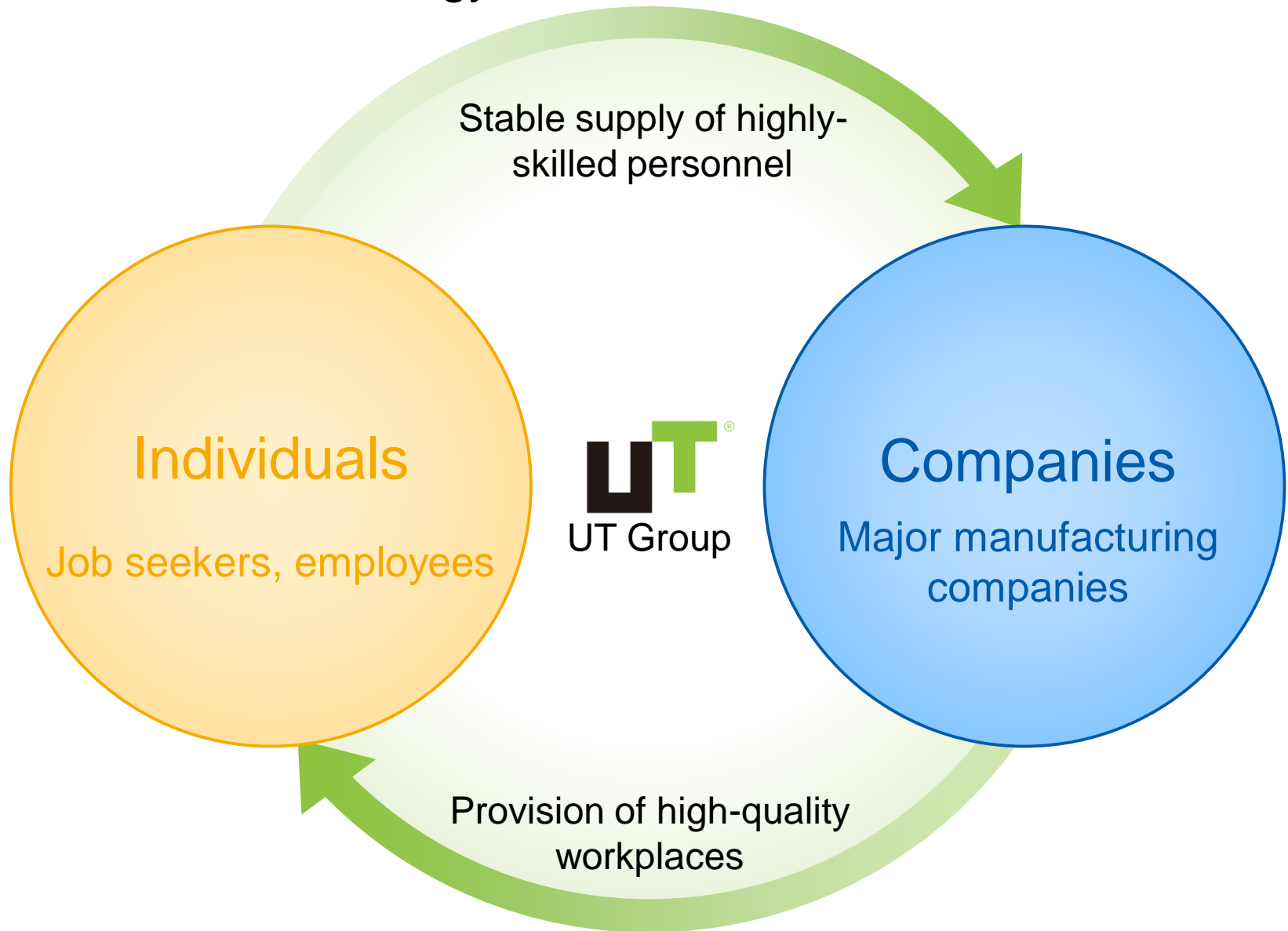


#### Share profit from enhanced corporate value with employees

- Measures to encourage employees to become shareholders

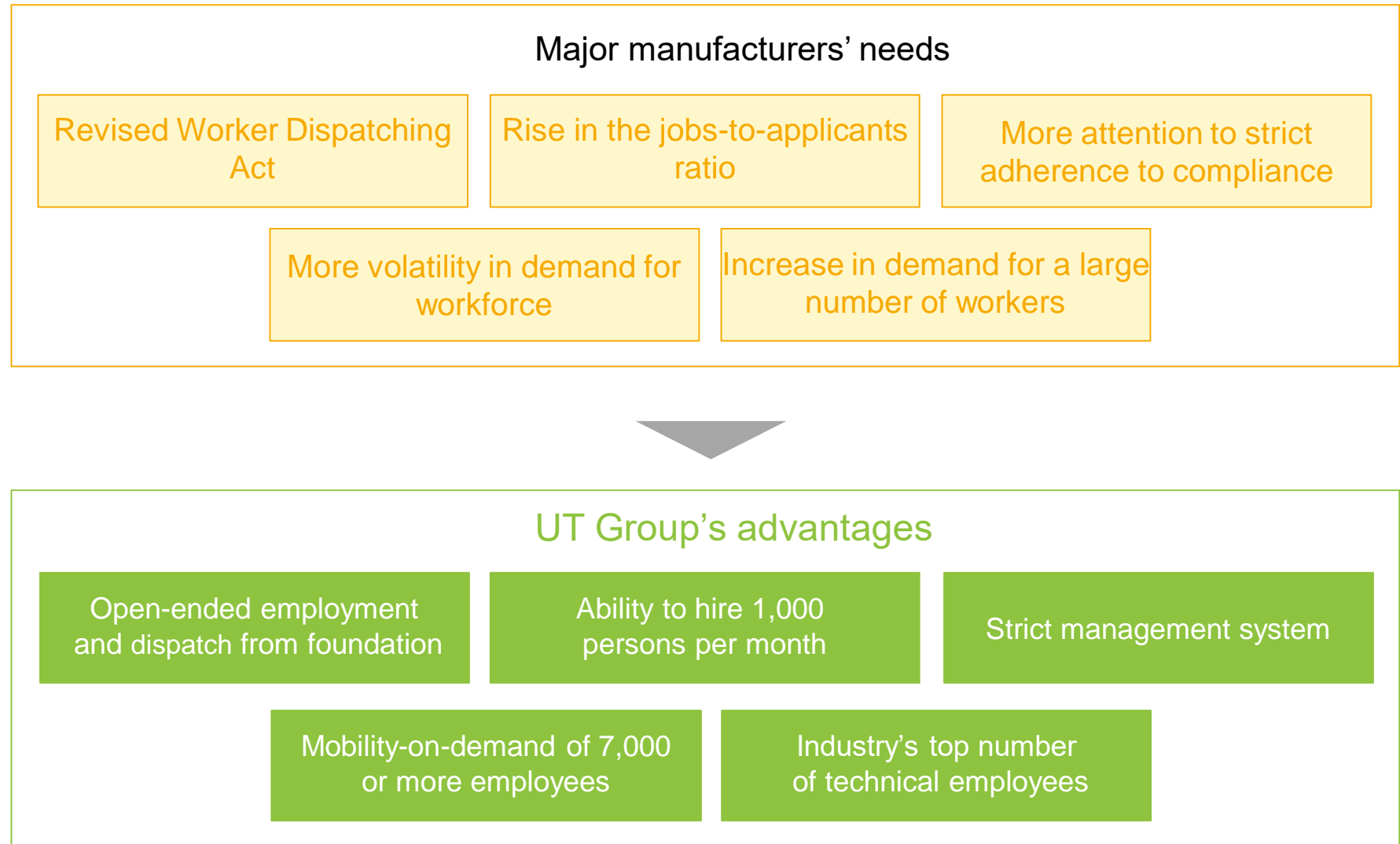


## Twin-Customer Strategy and Career Platform





# Business Environment of the Manufacturing Dispatch Industry



## 5. 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.

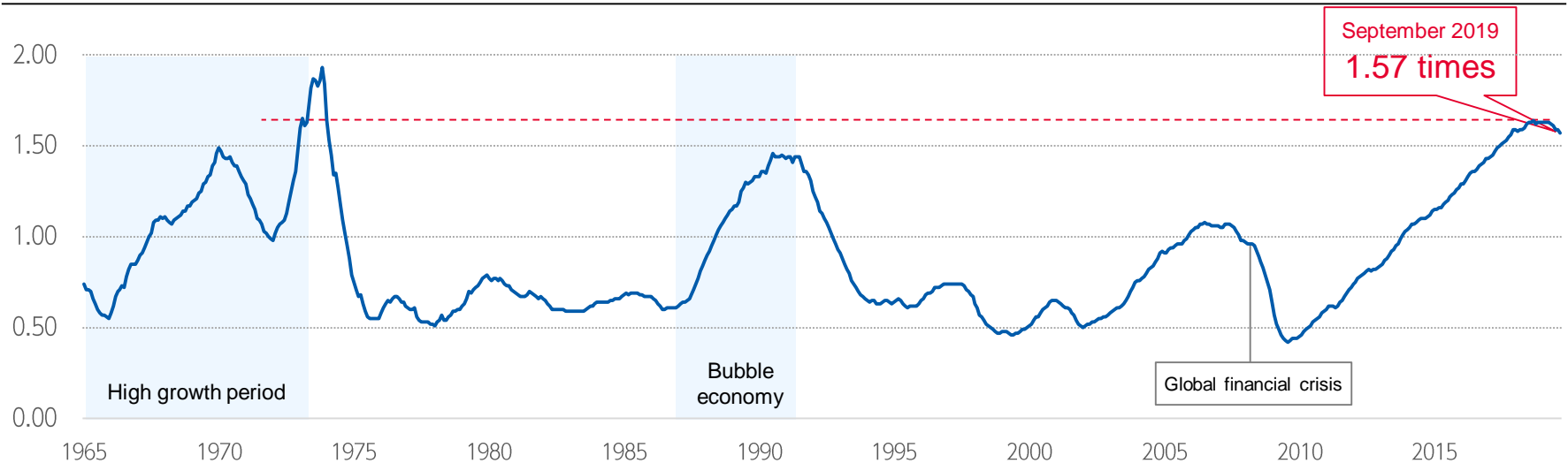
### Tighter regulations concerning contract workers

#### 2013: Revised Labor Contracts Act

##### Tighter regulation

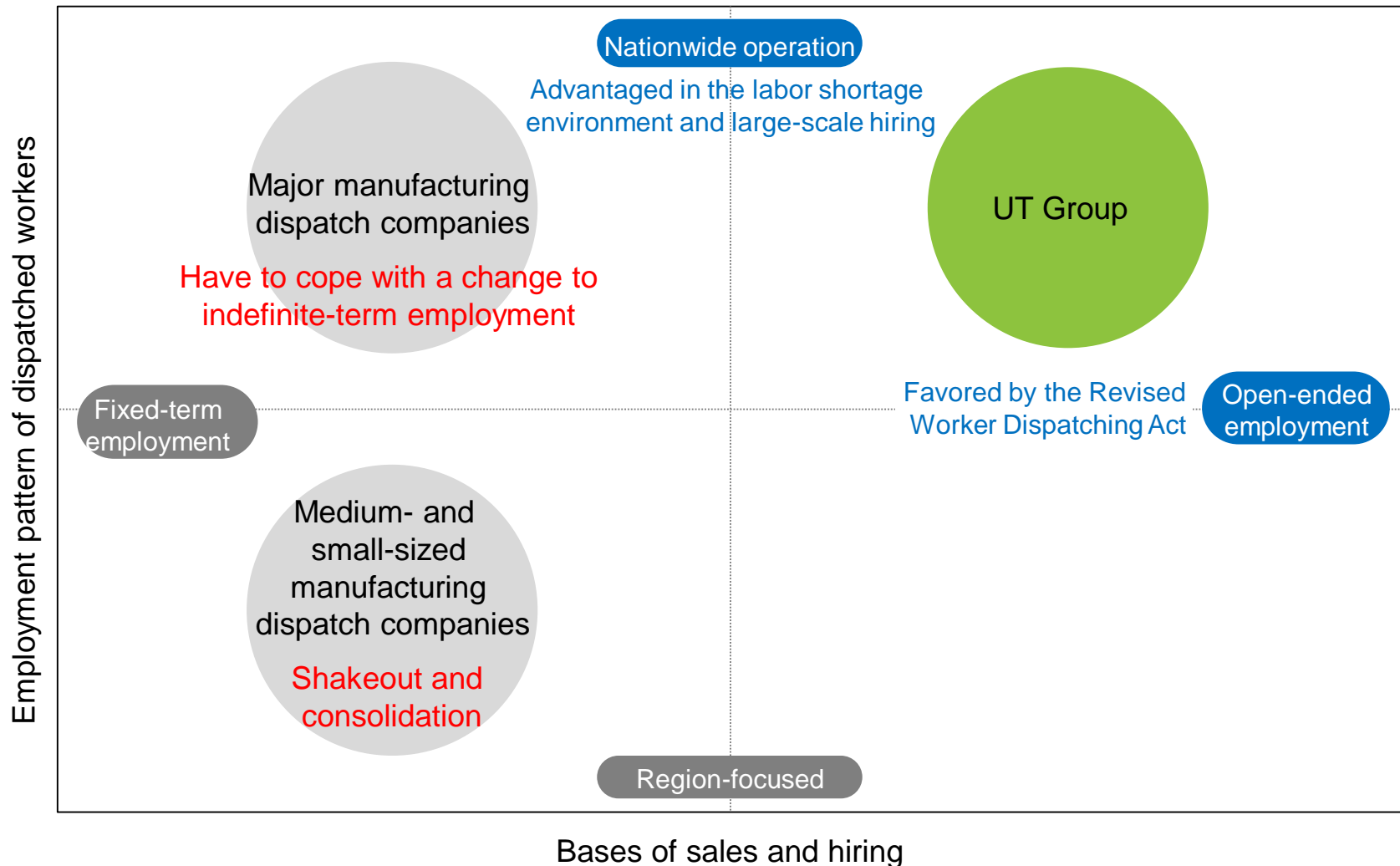
Risk of an increase in companies' fixed costs

### ■ Jobs-to-applicants ratio in Japan



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

# Changing Business Environment Are Favorable to UT's Strategy



# 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)

	FY3/2016	FY3/2017	FY3/2018	FY3/2019
Net profit	1,497,496	2,033,027	3,534,596	4,968,446
Dividends paid	-	-	-	2,499,281
Amount of share buyback	749,973	609,862	1,060,818	-
Total return ratio	50.1%	30.0%	30.0%	50.3%

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

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

Ratios for dividends and share buyback are determined by the level of stock price (PEG ratio<sup>1</sup>)

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

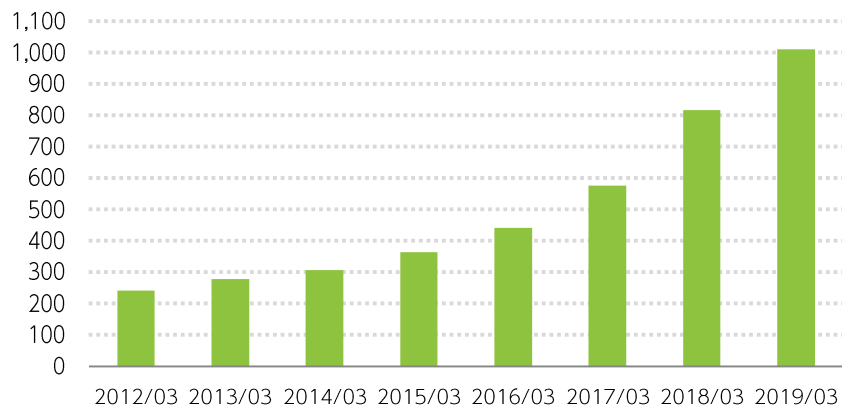
Based on the above policy, optimal shareholder return is to be determined and executed

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

## Trends of Business Results

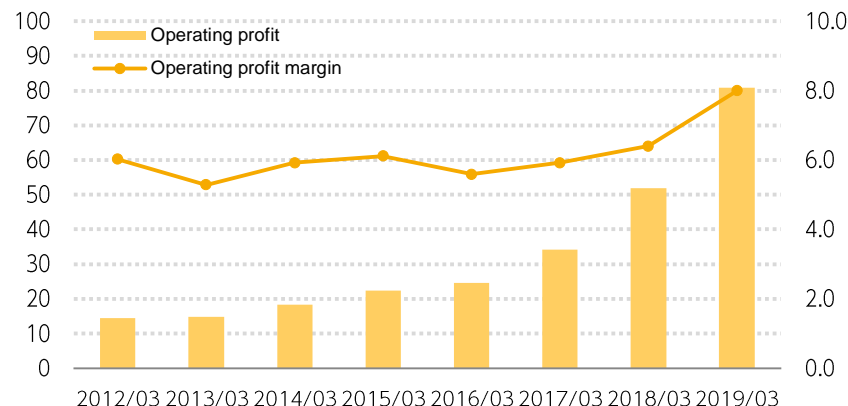
### Net sales

(100 million yen)



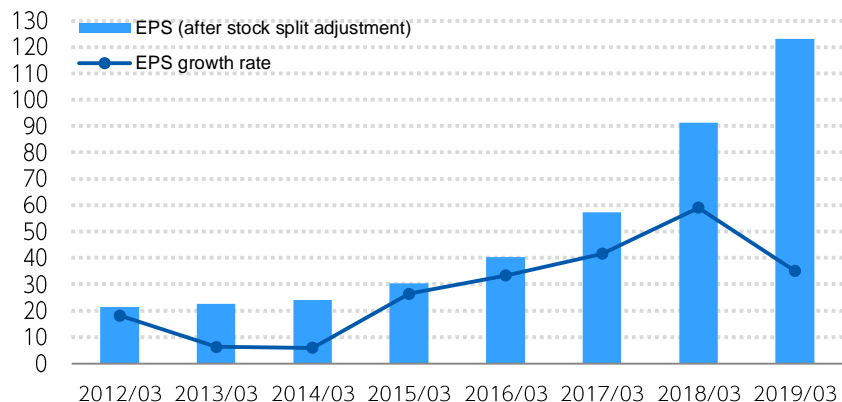
### Operating profit (LH) and Operating profit margin (RH)

(100 million yen, %)



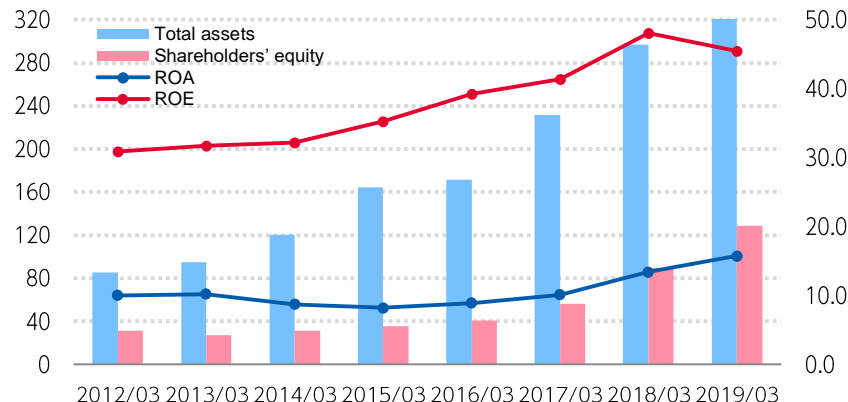
### EPS and EPS growth rate

(Yen, %)



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

(100 million yen, %)



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

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

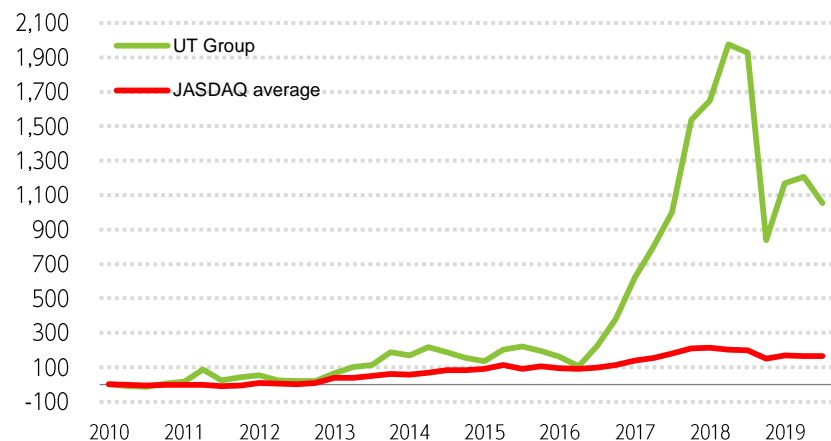
## 5. About UT Group

# Trends of Stock Price

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

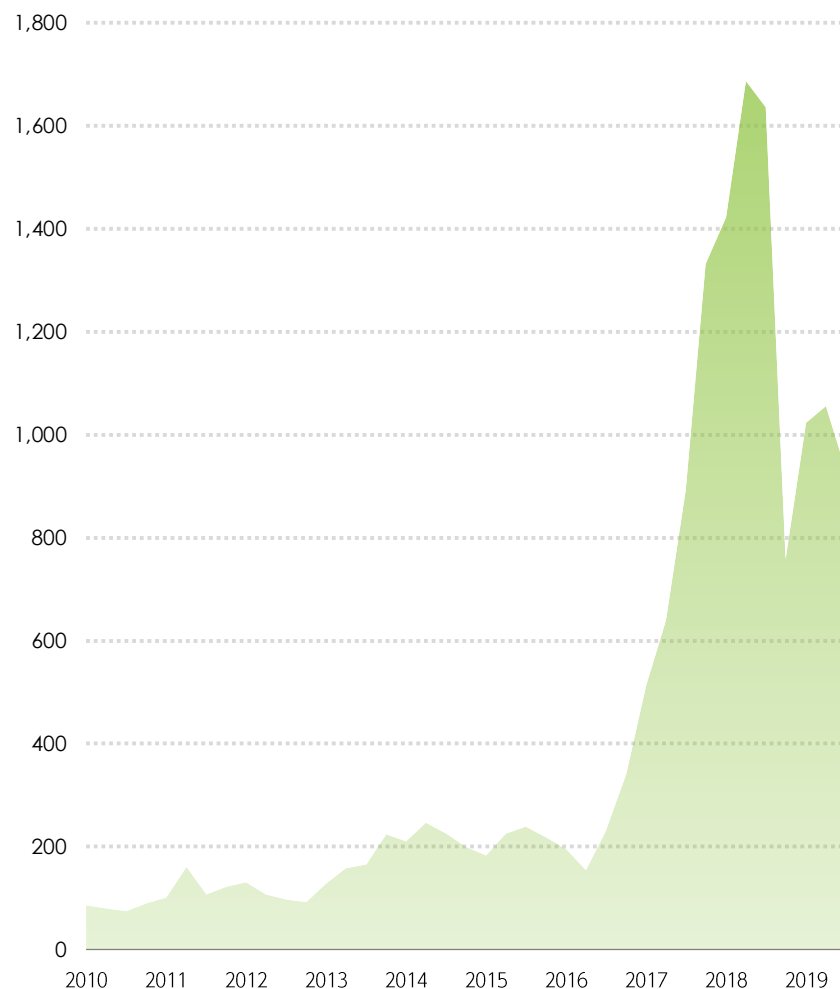


**Changes in stock price**  
(compared with the level on March 31, 2010) (%)



**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.

## [Inquiries]

UT Group Co., Ltd.

Businesses and Human Resource Management Division

e-mail: [ir@ut-g.co.jp](mailto:ir@ut-g.co.jp)