

February 6, 2020

For Immediate Release

UT Group Co., Ltd.
(Securities code : 2146)

Consolidated Financial Results of the Third Quarter (Nine Months) of Fiscal 2019, Ending March 31, 2020

UT Group Reports Net Sales of 76.7 Billion Yen, an Increase of 1.6% Y-o-y and Operating Profit of 5.9 Billion Yen, an Increase of 1.6% Y-o-y

Sluggish business in the semiconductors and electronic components sector was more than offset by growth in other sectors to flattish both sales and profit

In the first nine months of fiscal 2019, UT Group recorded net sales of 76.7 billion yen (up 1.6% from the same period of the previous fiscal year), operating profit of 5.9 billion yen (up 1.6%), profit attributable to owners of the parent of 3.1 billion yen (down 19.0%), and EPS of 78.06 yen (down 19.0%). The number of technical employees at the end of the third quarter totaled 20,026 (down 4.8%).

The business environment surrounding UT Group was harsh as demand for dispatched workers in the semiconductors and electronic components sector was stagnant due to the impact of the ongoing US-China trade friction issues while the jobs-to-applicants ratio continued to show signs of weakening despite remaining at a high level.

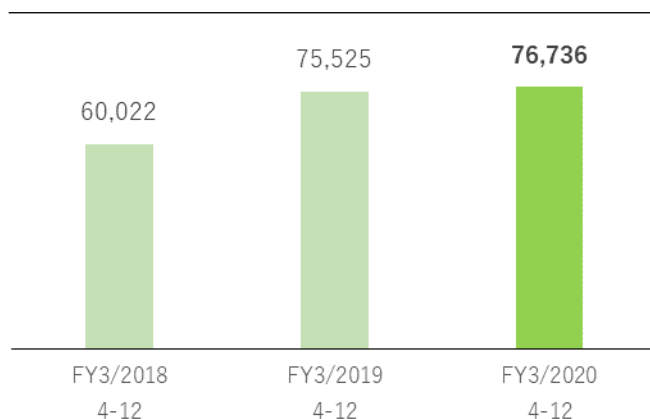
Looking at the results by business segment, the mainstay Manufacturing Business benefitted from demand for dispatched workers to replace fixed-term workers in the automotive-related sector, but recorded a decline in sales, due to a continued decrease in demand for dispatched workers in the semiconductors and electronic components sector. The Solution Business posted steady expansion in sales and profit by acquiring a large order for dispatched workers. The Engineering Business increased sales with an increase in the number of technical employees, this change mainly resulting from hiring of new graduates and placement of more employees in areas of high demand, such as for field engineers, equipment maintenance operators, civil engineering and construction workers. On the other hand, the Engineering Business recorded a decline in profit due to expenses for follow-up measures for new hires.

Major indicators

(Million yen)	FY3/2019 3Q	FY3/2020 3Q	Y-O-Y
Net sales	75,525	76,736	1.6%
EBITDA	6,320	6,393	1.2%
Operating profit	5,879	5,974	1.6%
Net profit attributable to UT Group	3,889	3,150	(19.0%)
EPS (Yen)	96.34	78.06	(19.0%)
Number of technical employees (Persons)	21,042	20,026	(4.8%)

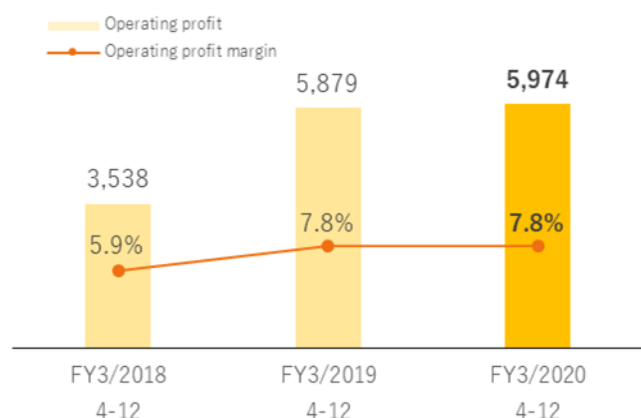
Net sales

(Million yen)



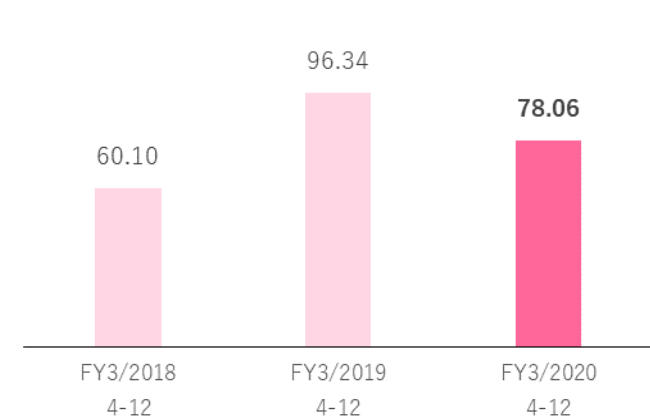
Operating profit

(Million yen)



EPS

(Million yen)

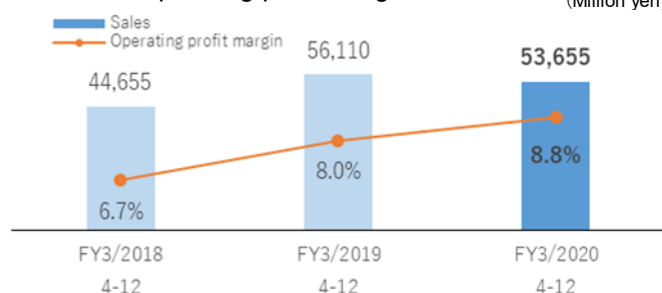


Results by Sector

Manufacturing Business

Sales and Operating profit margin

(Million yen)



- Sales decreased y-o-y, because of a decline in the semiconductors and electronic components sector, caused by production adjustment, partly due to the impact of the US-China trade friction, while demand growth for dispatched workers in the automotive-related sector has stabilized.
- The operating margin continued to improve, with a contribution by an increase in high-unit-price projects mostly in the automotive-related sector and greater efficiency in recruitment activities.

Quarterly results

(Million yen)

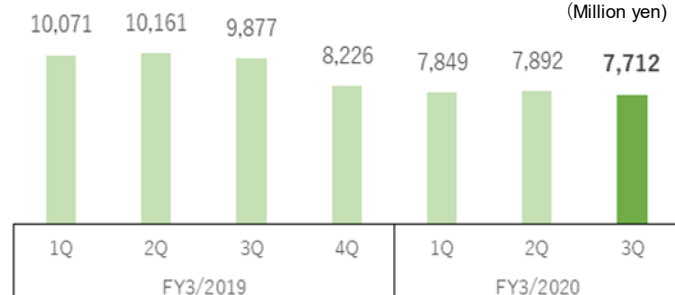


- The number of dispatched employees decreased from the previous quarter despite needs for more dispatched workers by some clients in the semiconductors and electronic components sector.
- Demand for dispatched workers weakened in the automotive-related sector, along with a decline in production after the consumption tax hike in October 2019.
- The operating margin remained at a high level, thanks to efficient spending in hiring costs.

Sales by sector

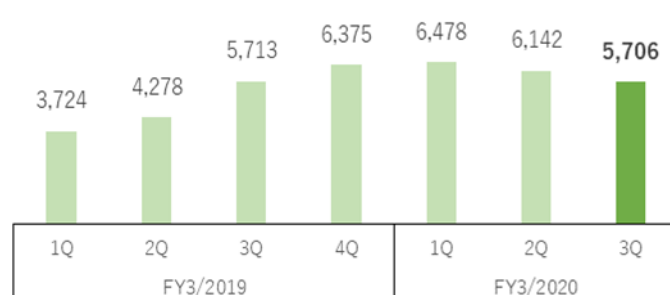
Semiconductors and electronic components sector

(Million yen)



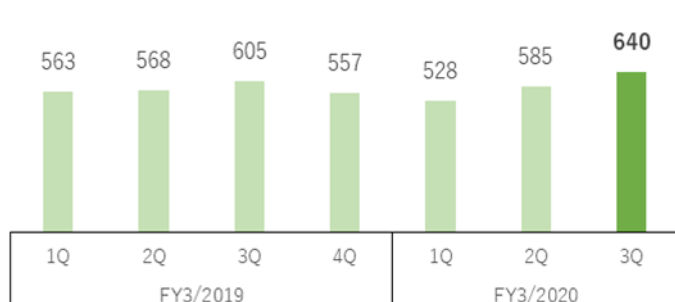
Automotive-related sector

(Million yen)



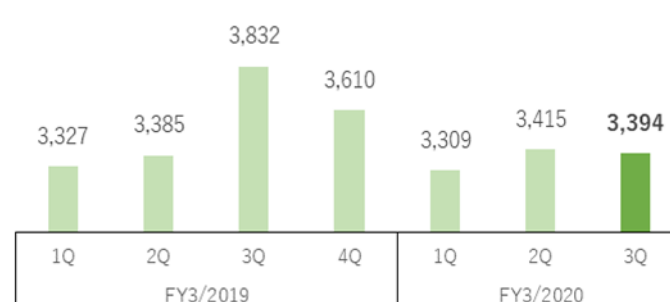
Housing-related sectors

(Million yen)



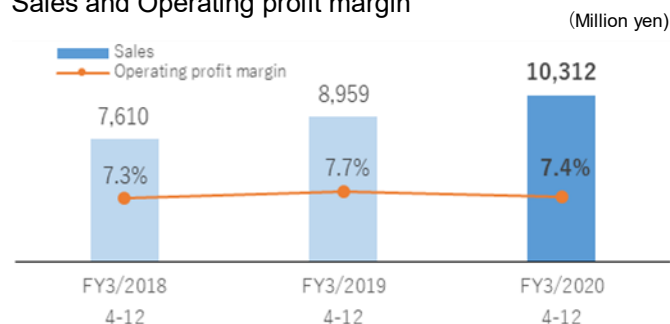
Other sectors

(Million yen)



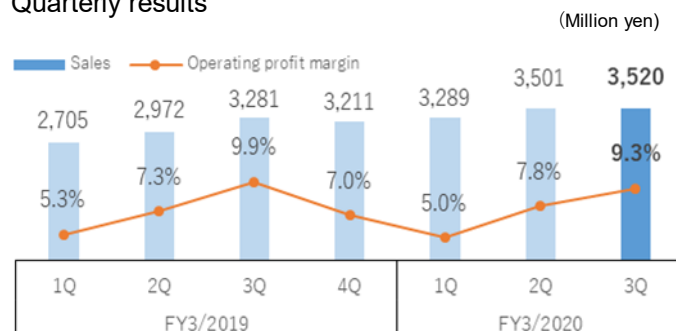
Solution Business

Sales and Operating profit margin



- Transfer of employees of client companies and a new large order for dispatched workers contributed to steady y-o-y sales growth.
- A decline in production of electric vehicle batteries, due to the impact of the US-China trade friction, caused a decline in the operating margin.

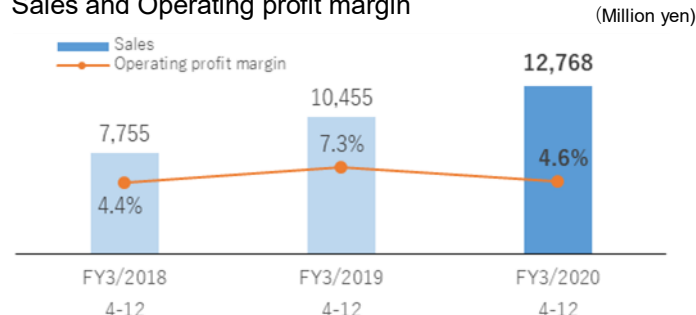
Quarterly results



- Despite a decline in production of electric vehicle batteries, acquisition of a new large order for dispatched workers led to an increase in the number of technical employees and resulted in flat-ish sales q-o-q.
- The operating margin improved from the previous quarter thanks to enhanced productivity in dispatched workplaces.

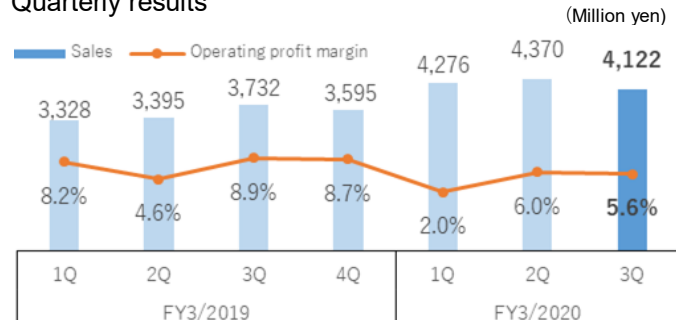
Engineering Business

Sales and Operating profit margin



- The number of technical employees increased mainly due to hiring of new graduates, which resulted in a y-o-y increase in sales.
- Hiring of over 900 new workers, a near doubling in number from the previous year, led to a contraction in the operating margin.

Quarterly results



- While the segment responded to an increase in demand for field engineers, equipment maintenance operators, and civil engineering and construction workers, the number of dispatched employees decreased and resulted in decline sales q-o-q.
- A slightly decline in profit margin due to expenses for follow-up measures for new hires.

Outlook

In the mainstay Manufacturing Business, a recovery in production by some clients in the semiconductors and electronic components sector has been delayed beyond as initially expected, partly due to a weakening demand for smartphones and the US-China trade friction, while growth in demand for dispatched workers is expected to grow less than projected. As a result, full-year consolidated earnings forecasts have been revised downward.

Concerning the outlook for the next fiscal year, a delayed recovery in production in the semiconductors and electronic components sector, a demand growth for structural reform, mainly by large companies, and a recovery in demand for dispatched workers are expected. UT Aim, a subsidiary of UT Group in the Manufacturing Business Segment, will be a surviving company of an absorption-type merger of UT Global in the same segment. The objective of the merger is to promptly raise productivity, achieve high business growth, and improve profitability.

Please see details in the "Notice Regarding Revision to Earnings Forecasts," "Notice Regarding Absorption-Type Merger Between Consolidated Subsidiaries," and "Summary of Financial Results," which are posted on UT Group's website. <https://www.ut-g.co.jp/english/ir/index.html>

For inquiry : IR Unit ir@ut-g.co.jp