



First Quarter of Fiscal Year Ending March 31, 2020

# Financial Results

August 13, 2019

UT Group Co., Ltd.

Securities Code: 2146

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# 1. Financial Highlights of First Quarter of Fiscal Year Ending March 2020

# 1. Financial Highlights of First Quarter of Fiscal Year Ending March 2020

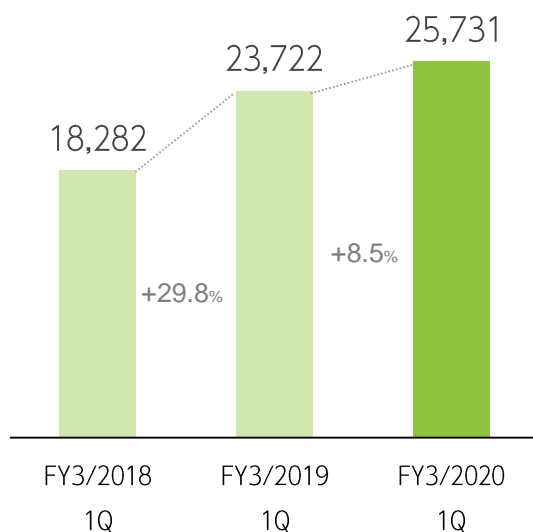
## Highlights of Consolidated Results

Progress in customer development mainly in the automotive sector led to an 8.5% y-o-y growth in net sales.

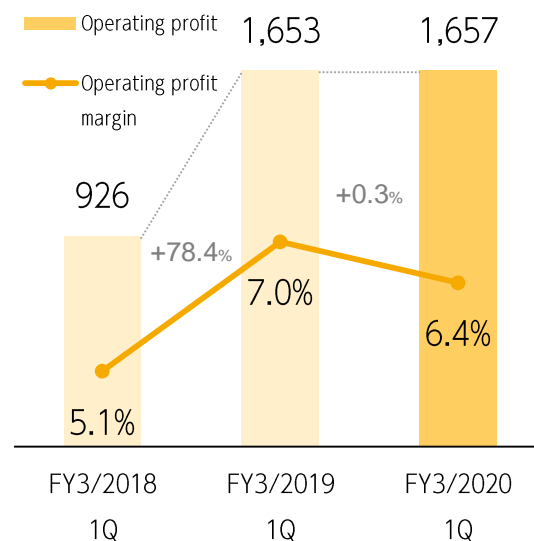
Increase in new hires in the Engineering Business temporarily depressed operating margin.

EPS decreased y-o-y due to the recording of extraordinary loss, which was previously announced.

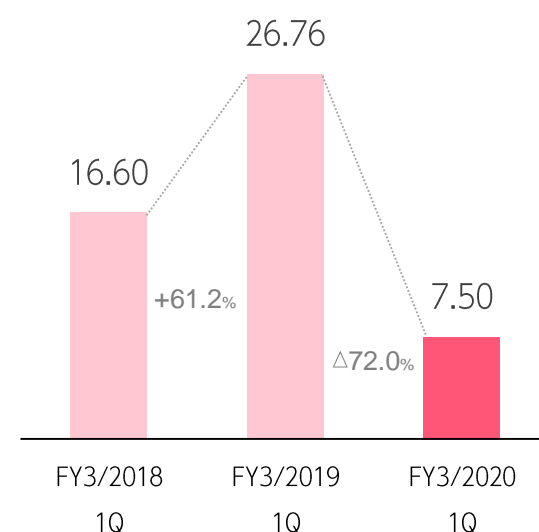
**Net sales** (Million yen)



**Operating profit and Operating profit margin** (Million yen)



**Earnings per share** (Yen)



# 1. Financial Highlights of First Quarter of Fiscal Year Ending March 2020

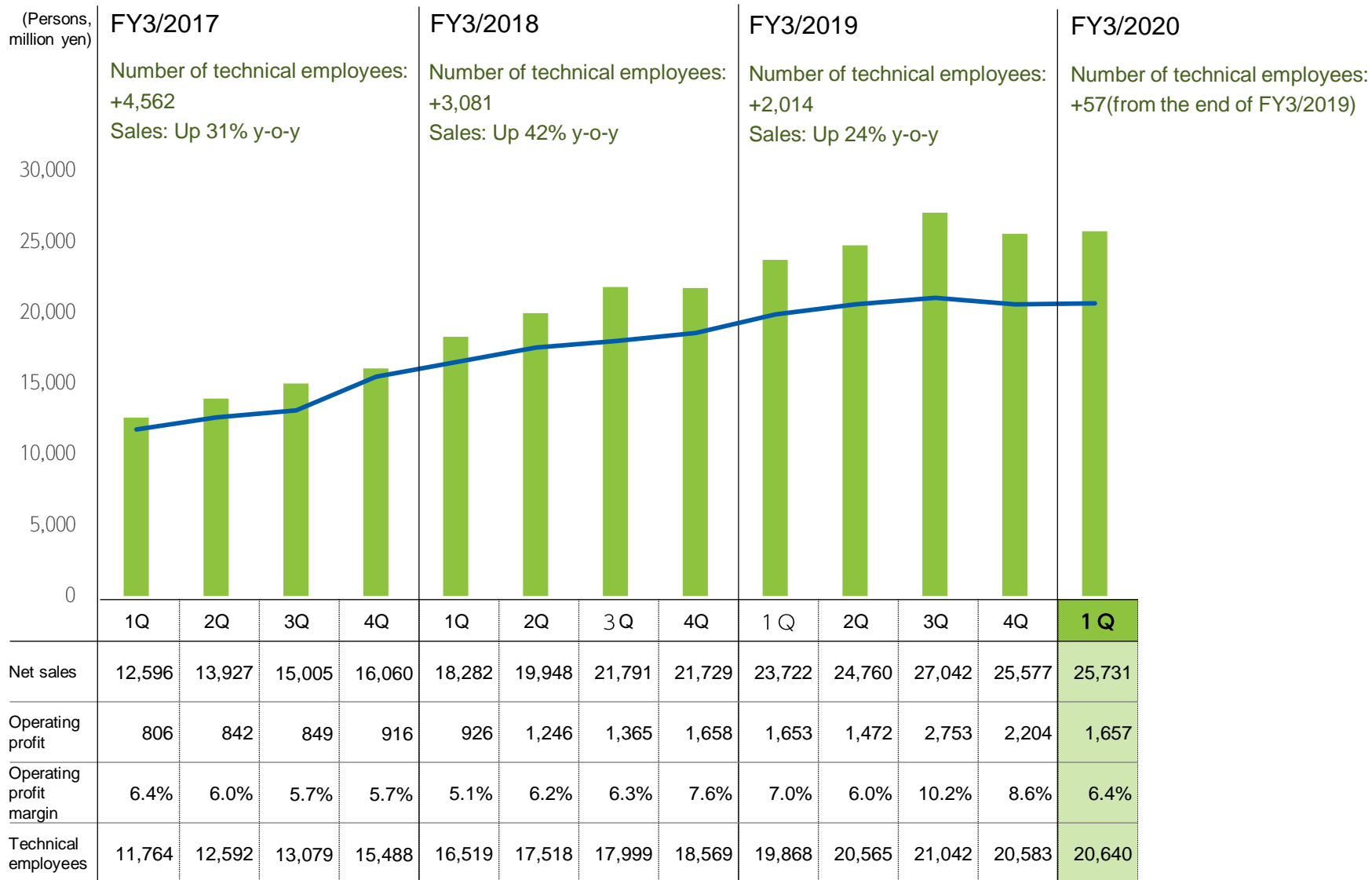
## Summary of Statement of Income

(Million yen)

	1Q of FY3/2019		1Q of FY3/2020		Year-on-Year	
	Results	% to net sales	Results	% to net sales	Amount	Change
Net sales	23,722	100.0%	25,731	100.0%	2,009	8.5%
Gross profit	4,728	19.9%	4,748	18.5%	20	0.4%
Selling, general and administrative expenses	3,075	13.0%	3,090	12.0%	15	0.5%
Operating profit	1,653	7.0%	1,657	6.4%	4	0.3%
EBITDA	1,794	7.6%	1,795	7.0%	1	0.0%
Ordinary profit	1,652	7.0%	1,671	6.5%	19	1.2%
Net profit attributable to UT Group	1,082	4.6%	302	1.2%	△779	△72.0%
Number of technical employees	19,868	—	20,640	—	772	3.9%

# 1. Financial Highlights of First Quarter of Fiscal Year Ending March 2020

## Quarterly Changes in Sales and Number of Technical Employees



# 1. Financial Highlights of First Quarter of Fiscal Year Ending March 2020

## Summary of Balance Sheet

(Million yen)

	March 31, 2019		June 30, 2019		Quarter-on-Quarter	
	Results	% of total	Results	% of total	Amount	%
<b>Current assets</b>	<b>28,753</b>	85.3%	<b>25,620</b>	87.5%	<b>△3,133</b>	△10.9%
Cash and deposits	14,990	44.5%	11,642	39.8%	△3,348	△22.3%
Notes and accounts receivable - trade	12,429	36.9%	12,470	42.6%	40	0.3%
<b>Non-current assets</b>	<b>4,966</b>	14.7%	<b>3,688</b>	12.5%	<b>△1,298</b>	△26.1%
Property, plant and equipment	324	1.0%	311	1.1%	△12	△4.0%
Intangible assets	2,107	6.2%	2,061	7.0%	△45	△2.2%
Goodwill	1,410	4.2%	1,332	4.5%	△78	△5.5%
Investments and other assets	2,535	7.5%	1,296	4.4%	△1,239	△48.9%
<b>Total assets</b>	<b>33,720</b>	100.0%	<b>29,288</b>	100.0%	<b>△4,431</b>	△13.1%
<b>Current liabilities</b>	<b>16,907</b>	50.1%	<b>15,037</b>	51.3%	<b>△1,870</b>	△11.1%
Short-term borrowings and current portion of long-term debts	1,859	5.5%	1,782	6.1%	△77	△4.1%
<b>Long-term liabilities</b>	<b>3,815</b>	11.3%	<b>3,461</b>	11.8%	<b>△354</b>	△9.3%
Long-term debts	3,682	10.9%	3,320	11.3%	△361	△9.8%
<b>Net assets</b>	<b>12,996</b>	38.5%	<b>10,789</b>	36.8%	<b>△2,206</b>	△17.0%
Shareholders' equity	12,890	38.2%	10,693	36.5%	△2,197	△17.0%
<b>Total liabilities and net assets</b>	<b>33,720</b>	100.0%	<b>29,288</b>	100.0%	<b>△4,431</b>	△13.1%
<b>Gross debt/equity ratio</b>	<b>0.43</b>	—	<b>0.48</b>	—	—	—

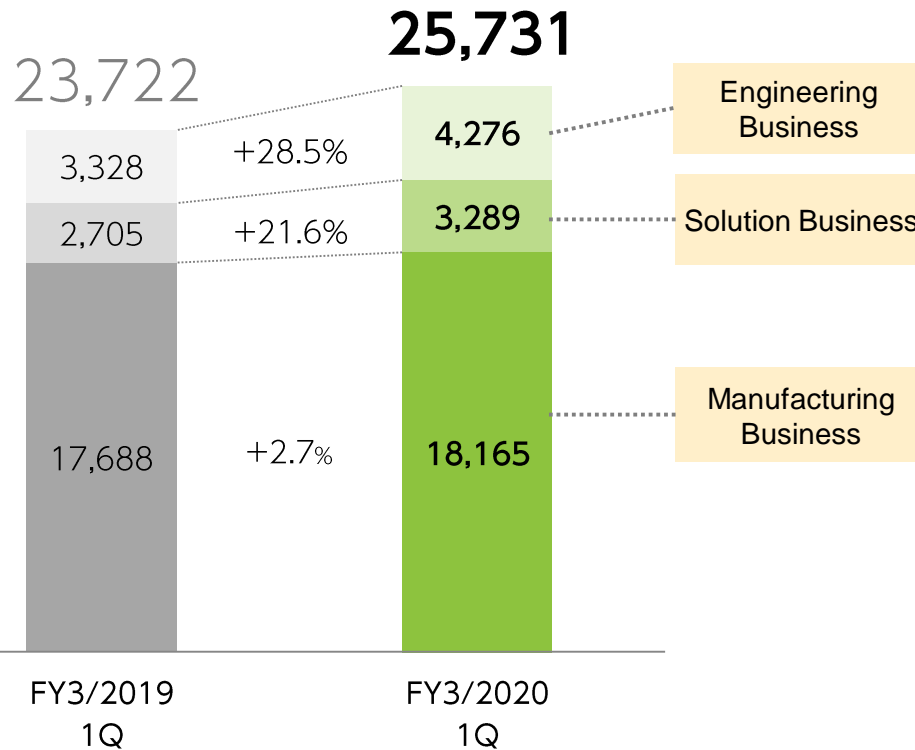
# 1. Financial Highlights of First Quarter of Fiscal Year Ending March 2020

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

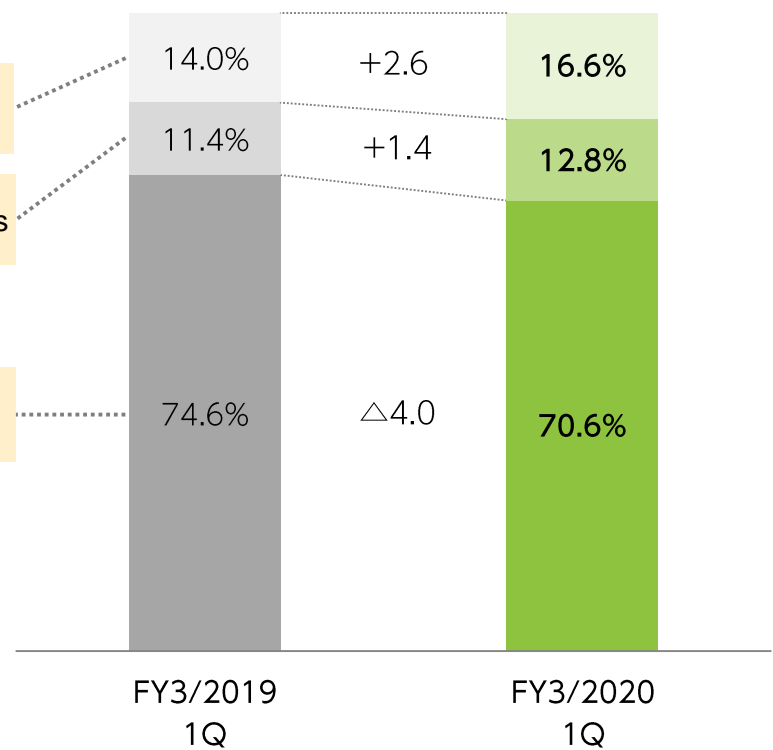
- The Manufacturing Business saw personnel demand in export-related companies come to a halt, due to the US-China trade friction.
- The Solution Business and the Engineering Business continue to see strong personnel demand.

### Net sales

(Million yen)



### Sales composition

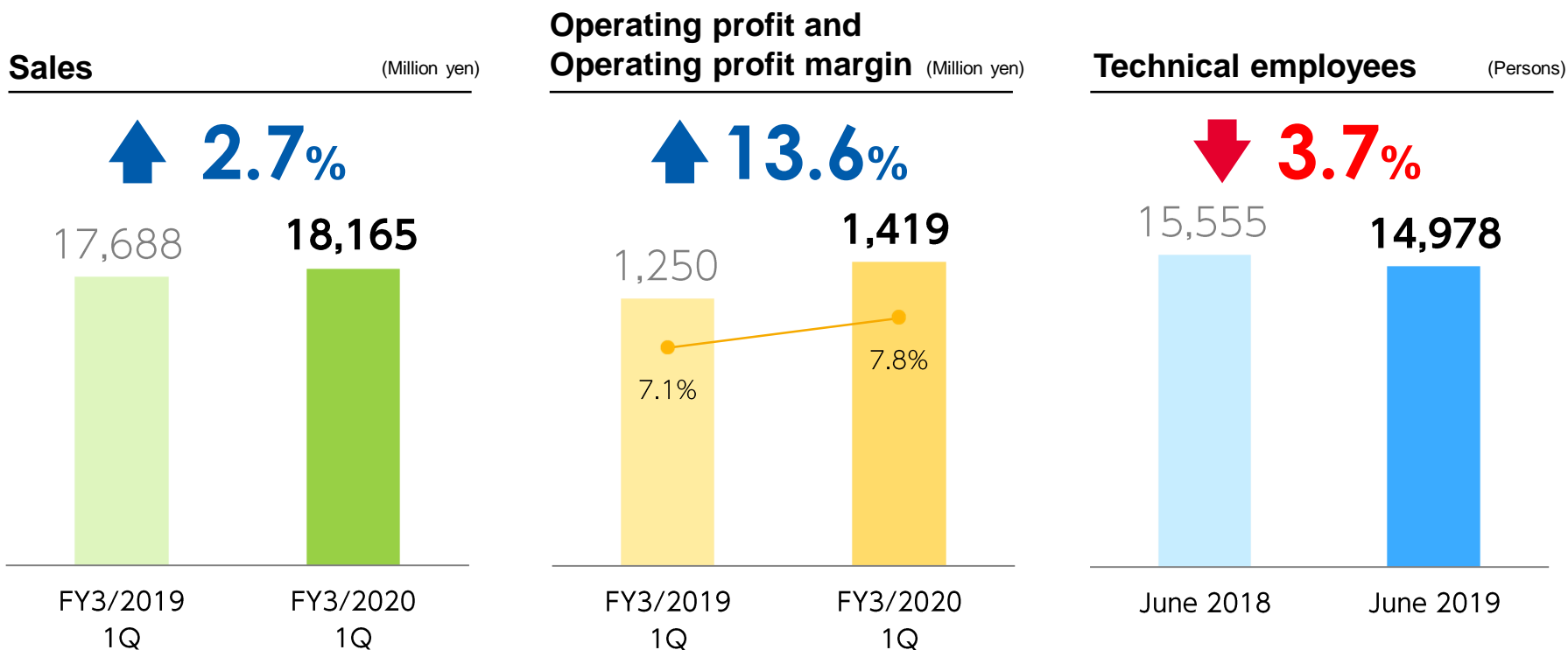




# 1. Financial Highlights of First Quarter of Fiscal Year Ending March 2020

## Results by Segment: Manufacturing Business

- Production adjustments by semiconductor manufacturing equipment-related clients have continued since January 2019.
- An increase in sales was secured, supported by the automotive-related sector and the area strategy, but the number of technical employees decreased.
- The operating margin improved thanks to an expansion in the automotive-related sector and higher efficiency in recruitment activities.

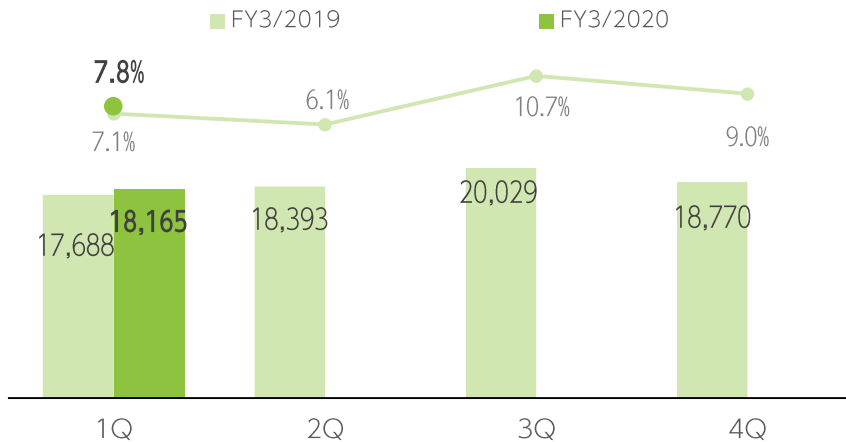


# 1. Financial Highlights of First Quarter of Fiscal Year Ending March 2020

## Results by Segment: Manufacturing Business

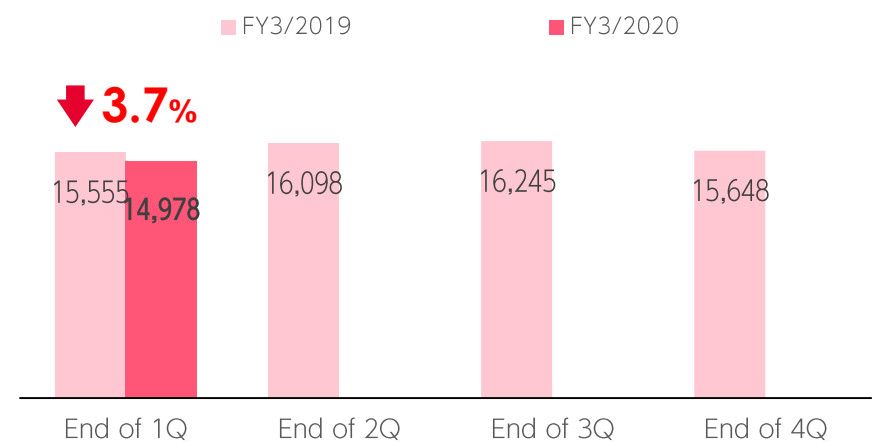
### Sales and operating profit margin

(Million yen)



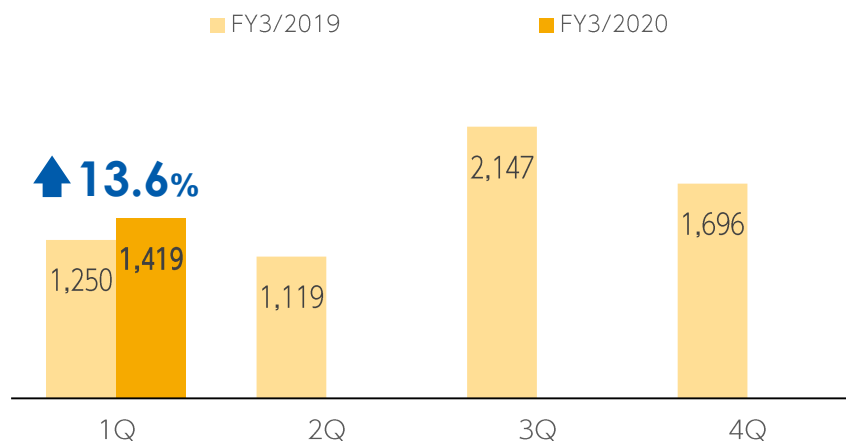
### Technical employees

(Persons)



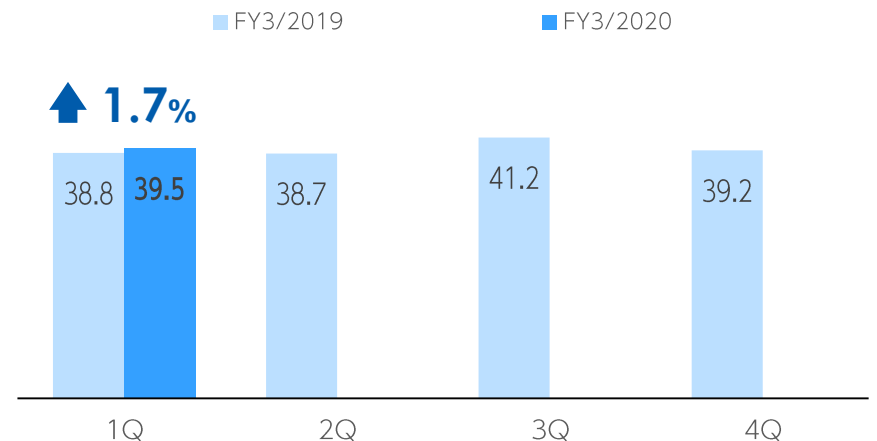
### Operating profit

(Million yen)



### Monthly sales per capita

(Ten thousand yen)



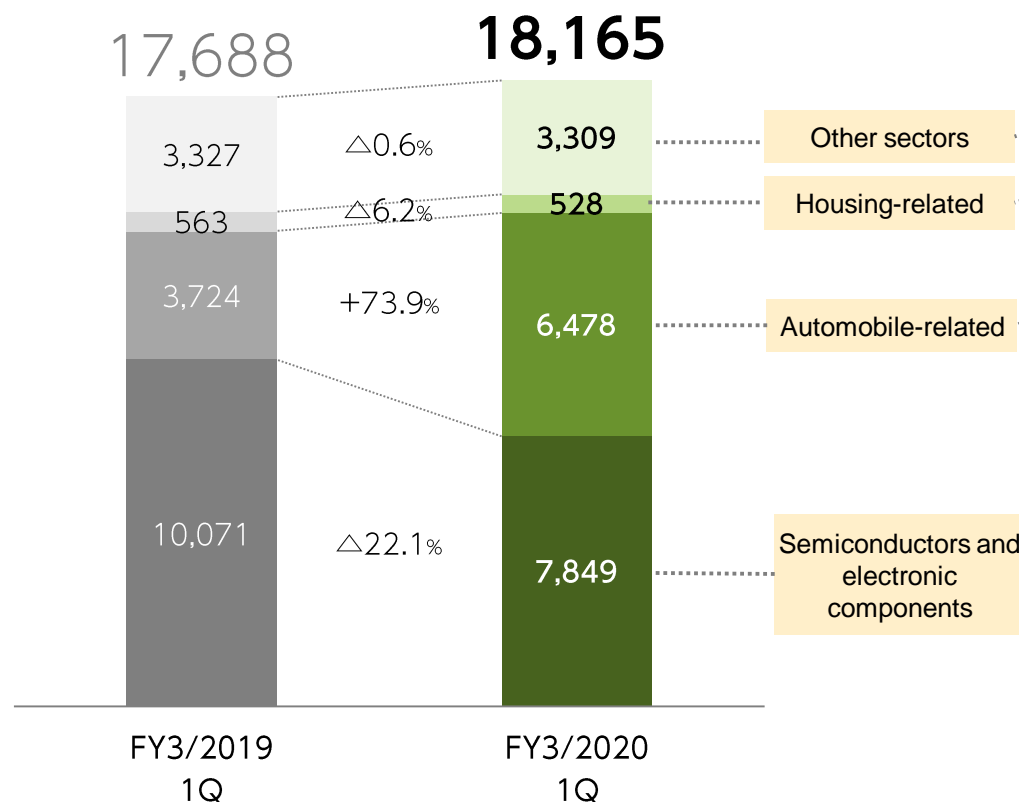
\* Average monthly sales is calculated by dividing quarterly sales by the quarterly average number of technical employees.

# 1. Financial Highlights of First Quarter of Fiscal Year Ending March 2020

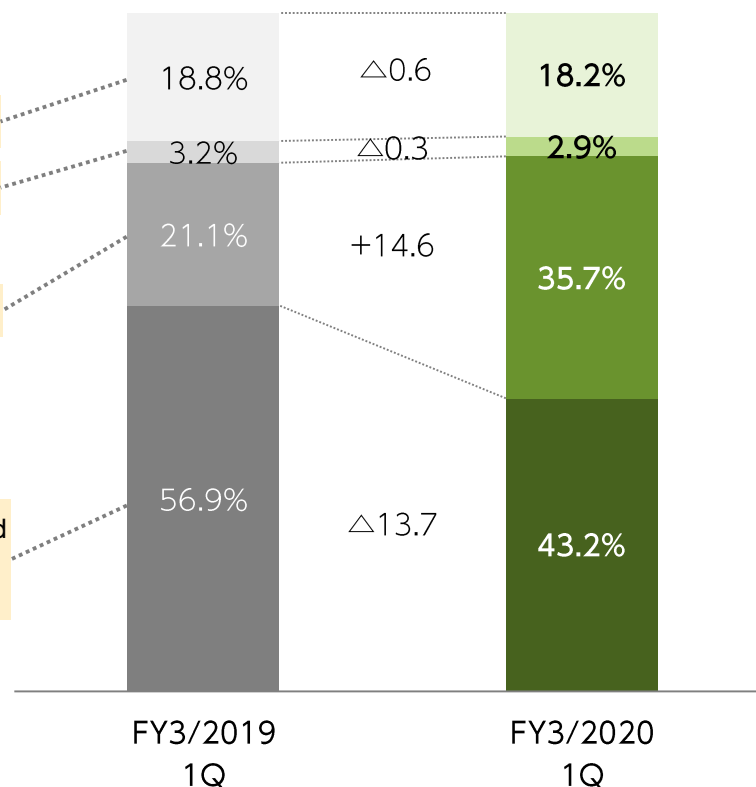
## Results by Segment: Manufacturing Business (Sales by Sector)

- The US-China trade friction caused a substantial decline in the semiconductors and electronic components sector, where overseas demand is high.
- Switching from fixed-term workers to dispatched workers continued in the automotive-related sector.

Sales (Million yen)



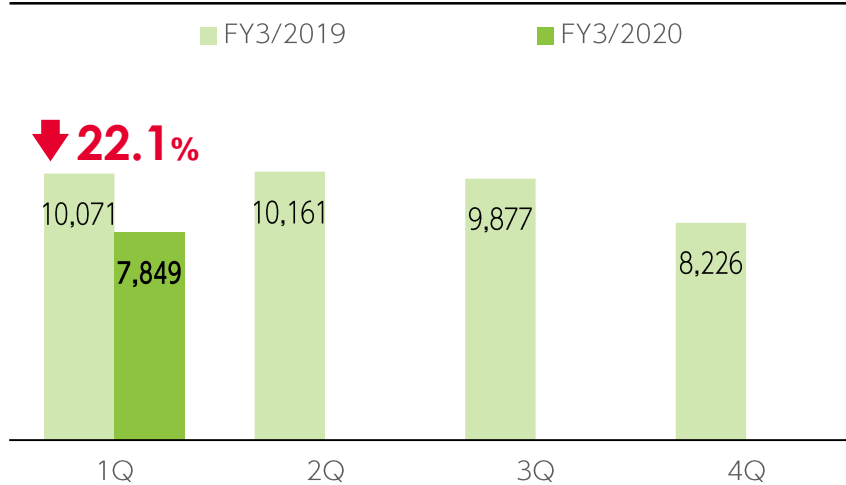
Sales composition



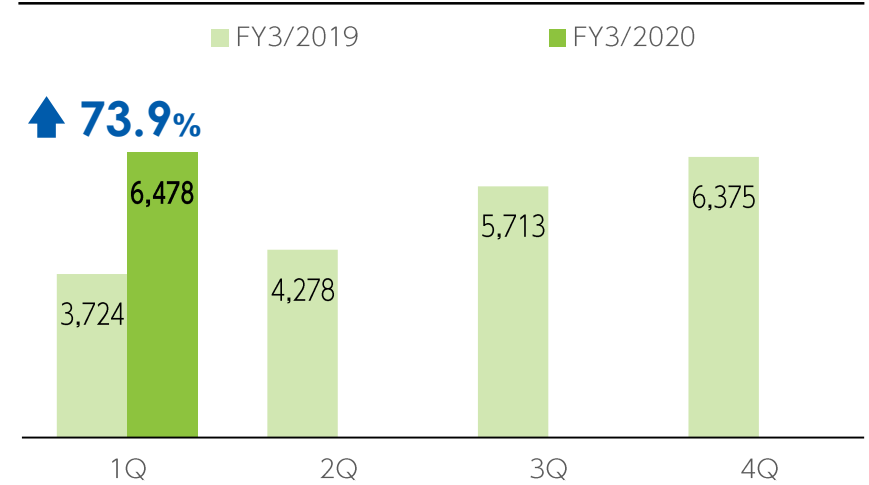
# 1. Financial Highlights of First Quarter of Fiscal Year Ending March 2020

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

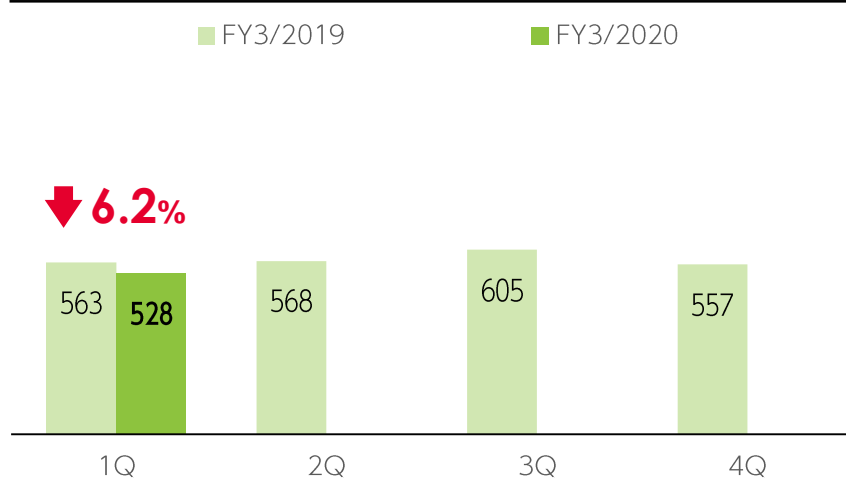
**Semiconductors and electronic components** (Million yen)



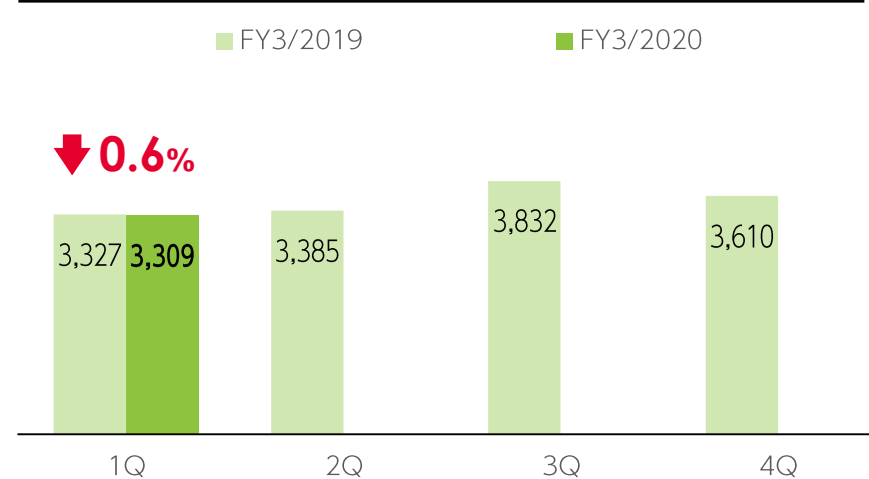
**Automobile-related** (Million yen)



**Housing-related** (Million yen)



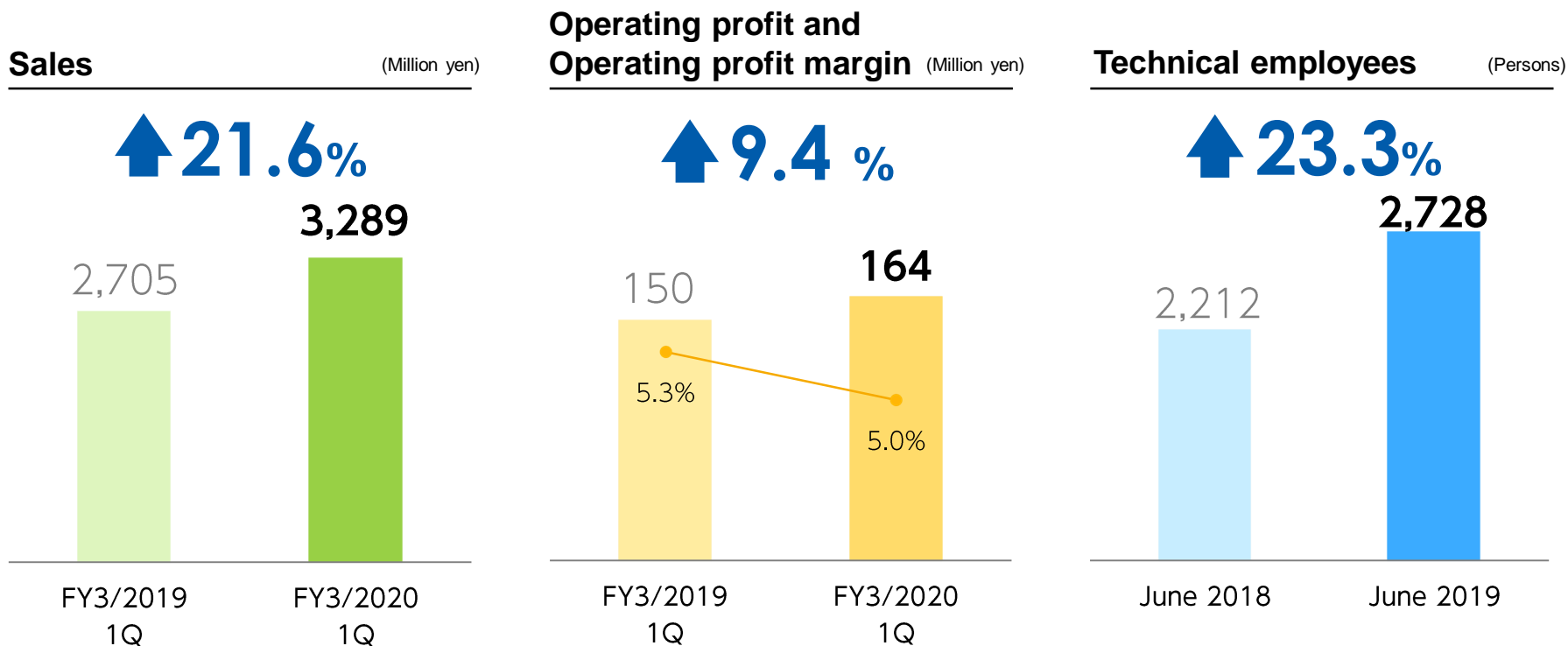
**Other sectors** (Million yen)



# 1. Financial Highlights of First Quarter of Fiscal Year Ending March 2020

## Results by Segment: Solution Business

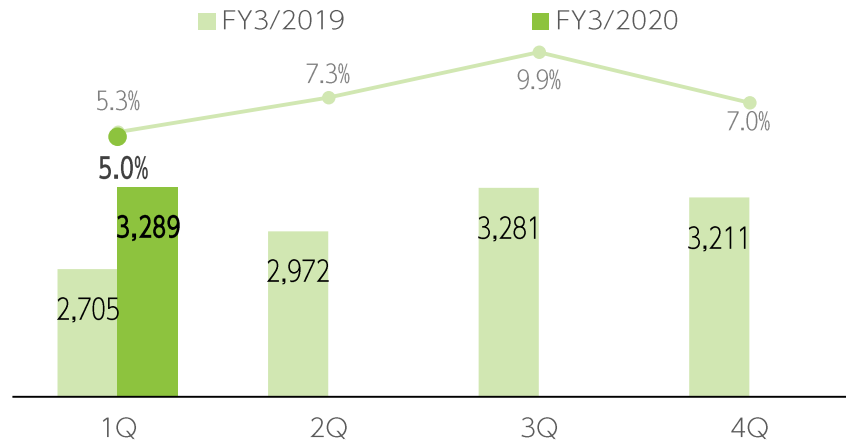
- Client companies' business restructuring and production increases contributed to an increase in technical employees.
- Some clients' production adjustments in Electric Vehicle batteries and the posting of advance expenses associated with a large order for dispatched workers caused a decline in the operating margin.



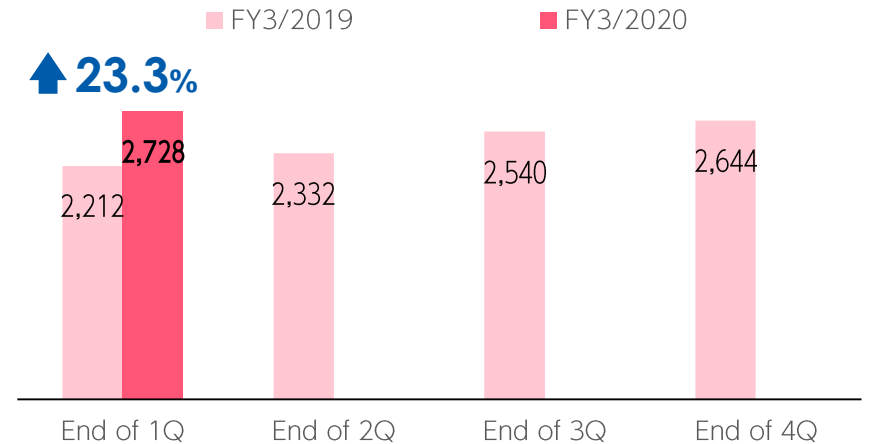
# 1. Financial Highlights of First Quarter of Fiscal Year Ending March 2020

## Results by Segment: Solution Business

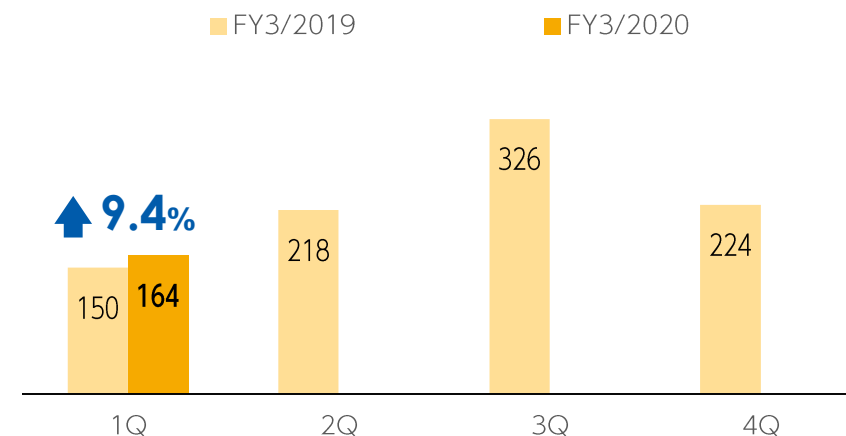
**Sales and operating profit margin** (Million yen)



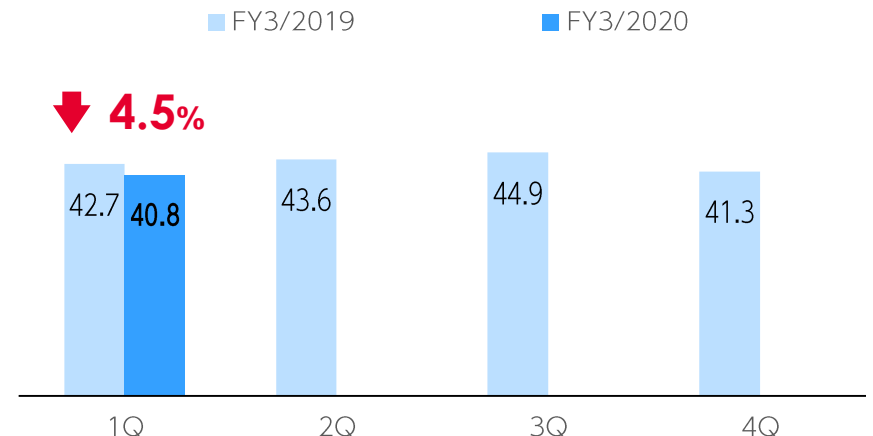
**Technical employees** (Persons)



**Operating profit** (Million yen)



**Monthly sales per capita** (Ten thousand yen)

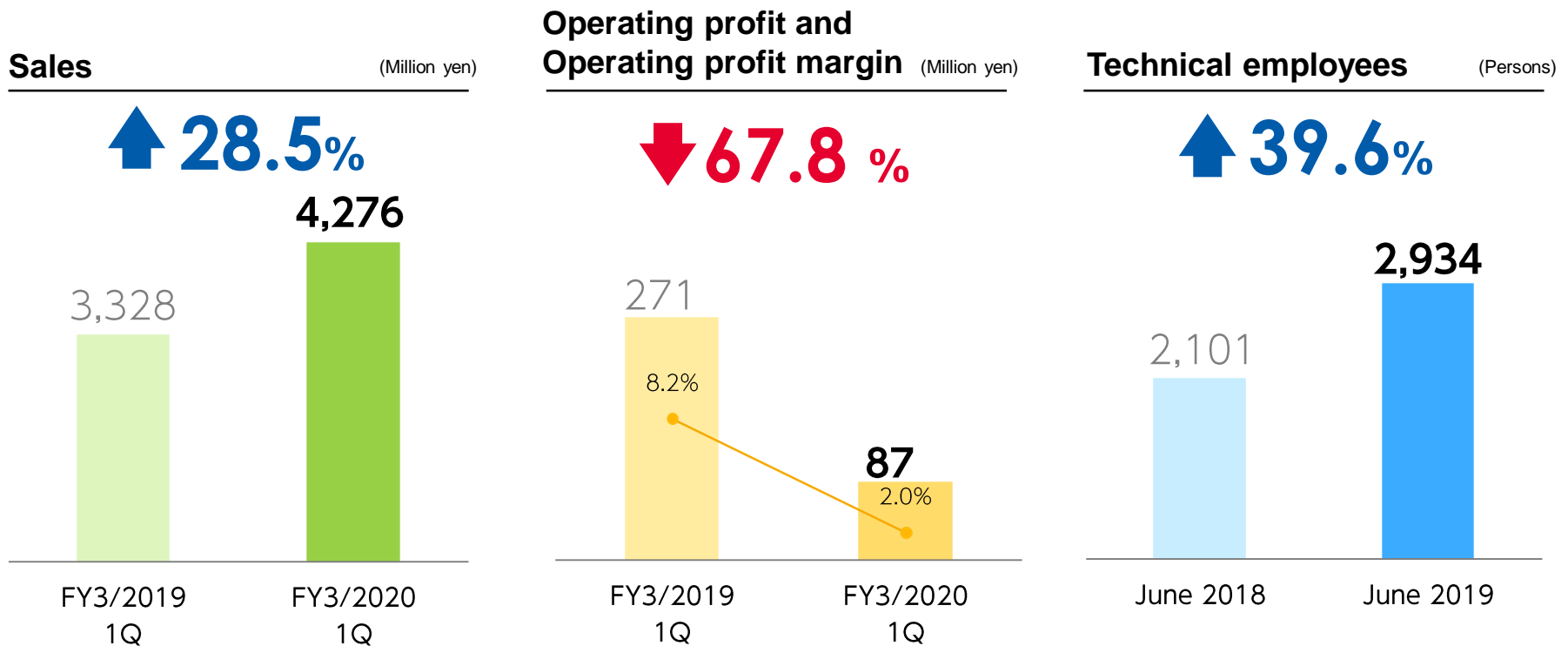


\* Average monthly sales is calculated by dividing quarterly sales by the quarterly average number of technical employees.

# 1. Financial Highlights of First Quarter of Fiscal Year Ending March 2020

## Results by Segment: Engineering Business

- A near doubling of new hires y-o-y and greater use of the inter-group transfer program led to a significant increase in technical employees.
- Cost of conducting training programs for new hires led to temporarily depress operating margin.

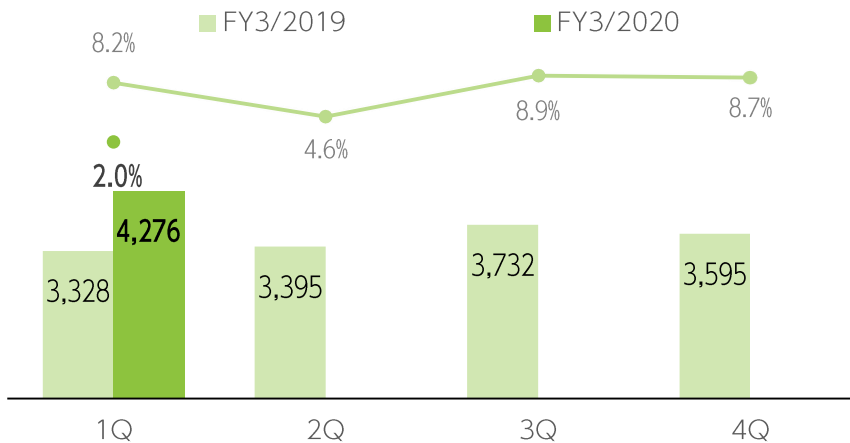


# 1. Financial Highlights of First Quarter of Fiscal Year Ending March 2020

## Results by Segment: Engineering Business

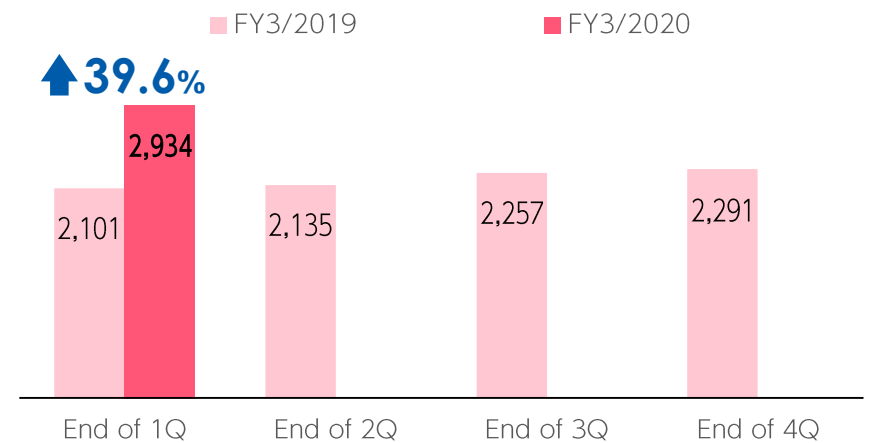
### Sales and operating profit margin

(Million yen)



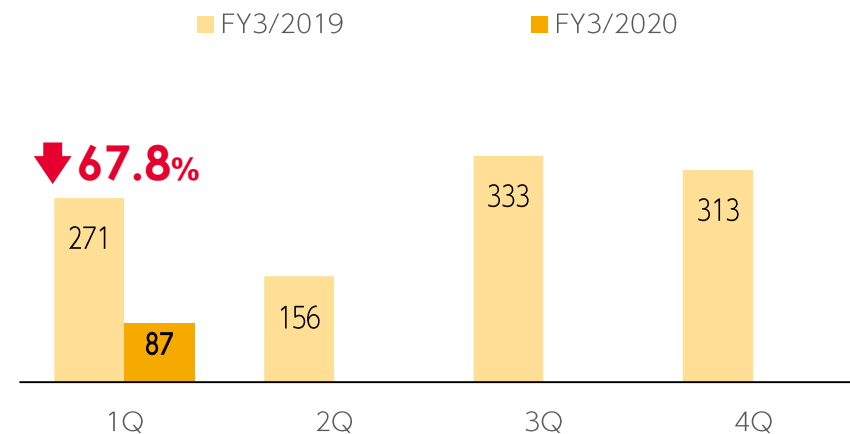
### Technical employees

(Persons)



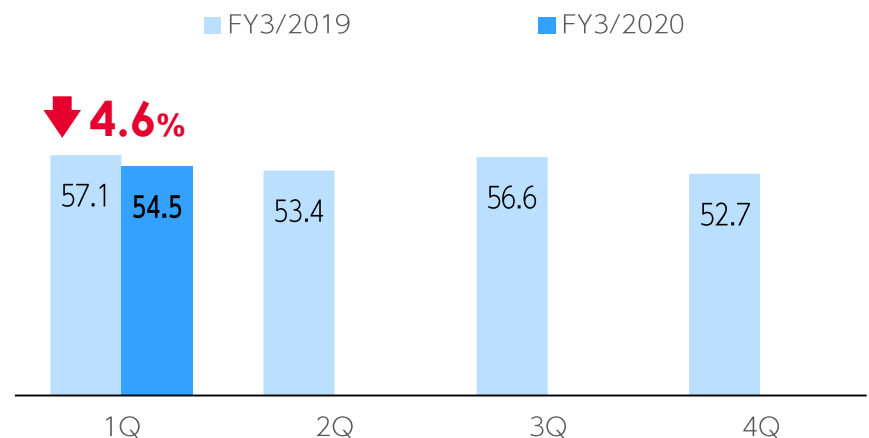
### Operating profit

(Million yen)



### Monthly sales per capita

(Ten thousand yen)



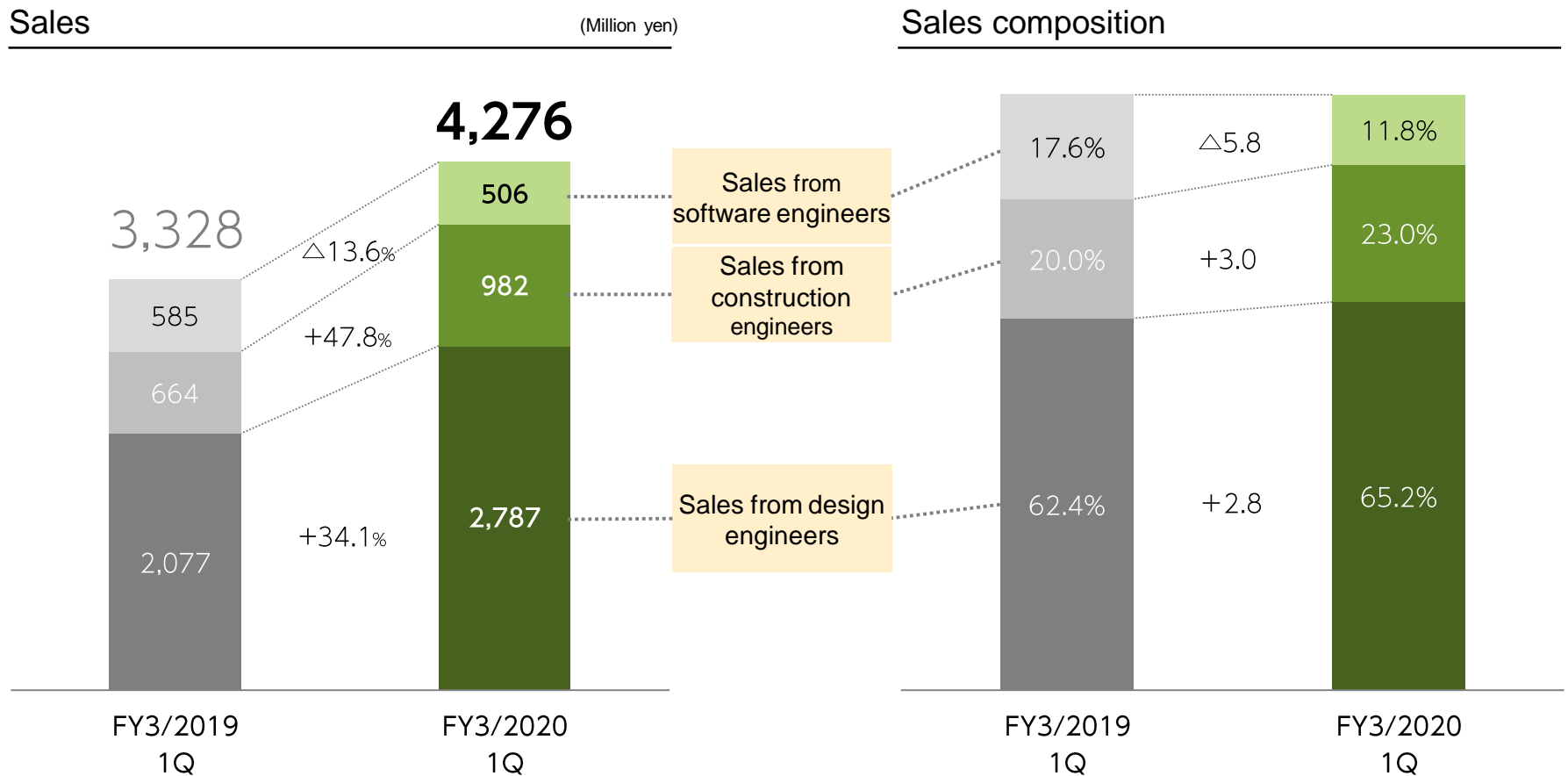
\* Average monthly sales is calculated by dividing quarterly sales by the quarterly average number of technical employees.



# 1. Financial Highlights of First Quarter of Fiscal Year Ending March 2020

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

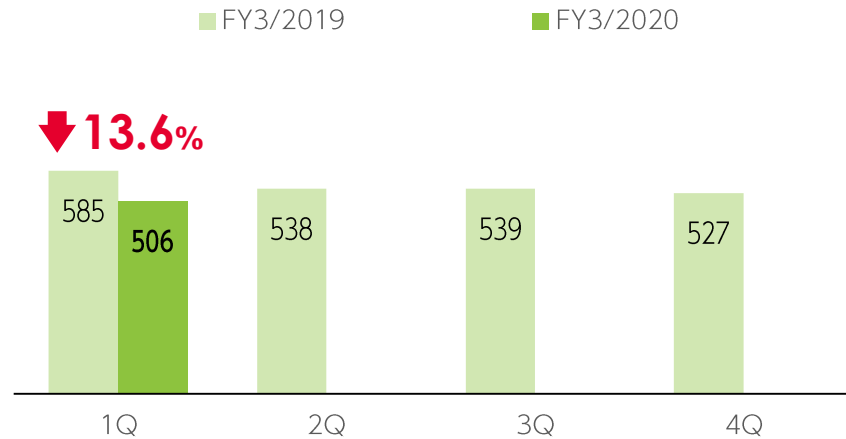
- Mainly for major manufacturers, sales from design engineers in production technology, field engineering, and equipment maintenance increased.
- Sales from construction engineers also rose significantly on the back of strong construction demand in Japan.



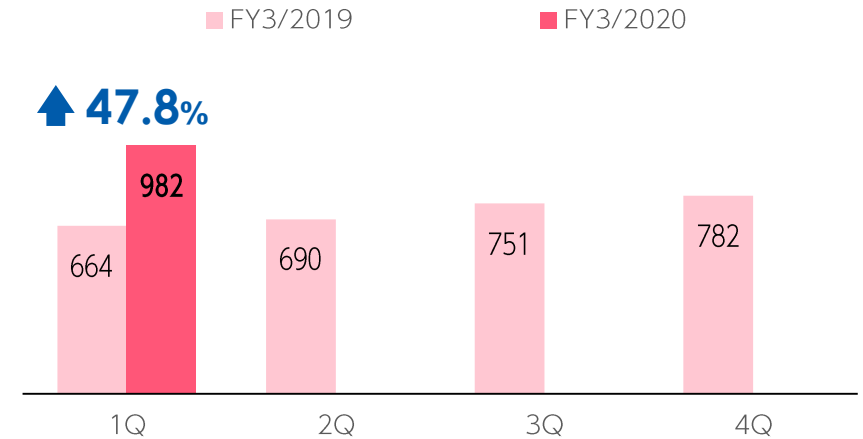
# 1. Financial Highlights of First Quarter of Fiscal Year Ending March 2020

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

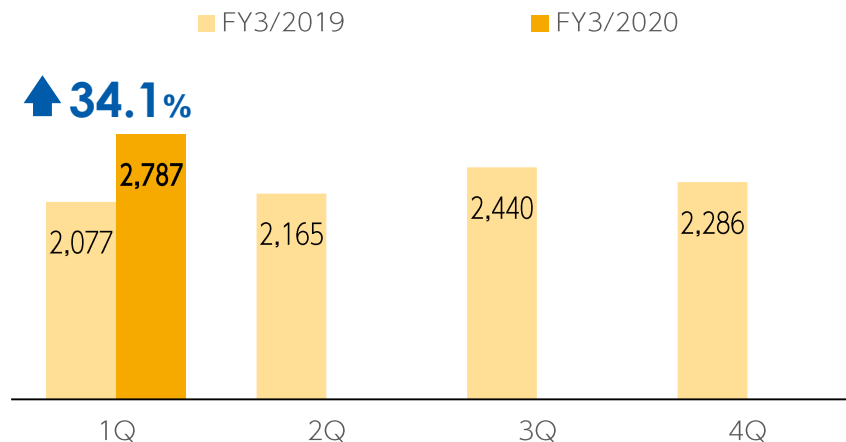
### Sales from software engineers (Million yen)



### Sales from construction engineers (Million yen)



### Sales from design engineers (Million yen)



## 2. FY3/2020 Forecasts

## 2. FY3/2020 Forecasts

# FY3/2020 Consolidated Earnings Forecasts

- Personnel demand in the semiconductor manufacturing equipment related sector is projected to recover early next year.
- Plan to capture a wide range of personnel demand in the automotive-related sector and by taking the area strategy.

(Million yen)

	FY3/2019		FY3/2020		Amount	Change
	Results	% to net sales	Forecasts	% to net sales		
Net sales	101,103	100.0%	120,000	100.0%	18,896	18.7%
Operating profit	8,083	8.0%	10,000	8.3%	1,916	23.7%
Ordinary profit	8,166	8.1%	9,900	8.3%	1,733	21.2%
Net profit attributable to UT Group	4,968	4.9%	6,200	5.2%	1,231	24.8%
EPS (yen)	123.07	—	153.61	—	30.54	24.8%

# 3. Commitments

### 3. 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

## 4. About UT Group



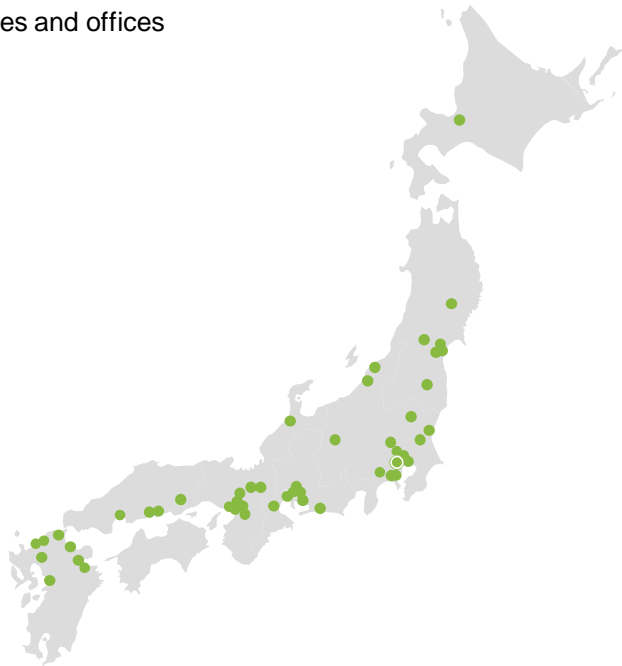
# Corporate Outline

As of August 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

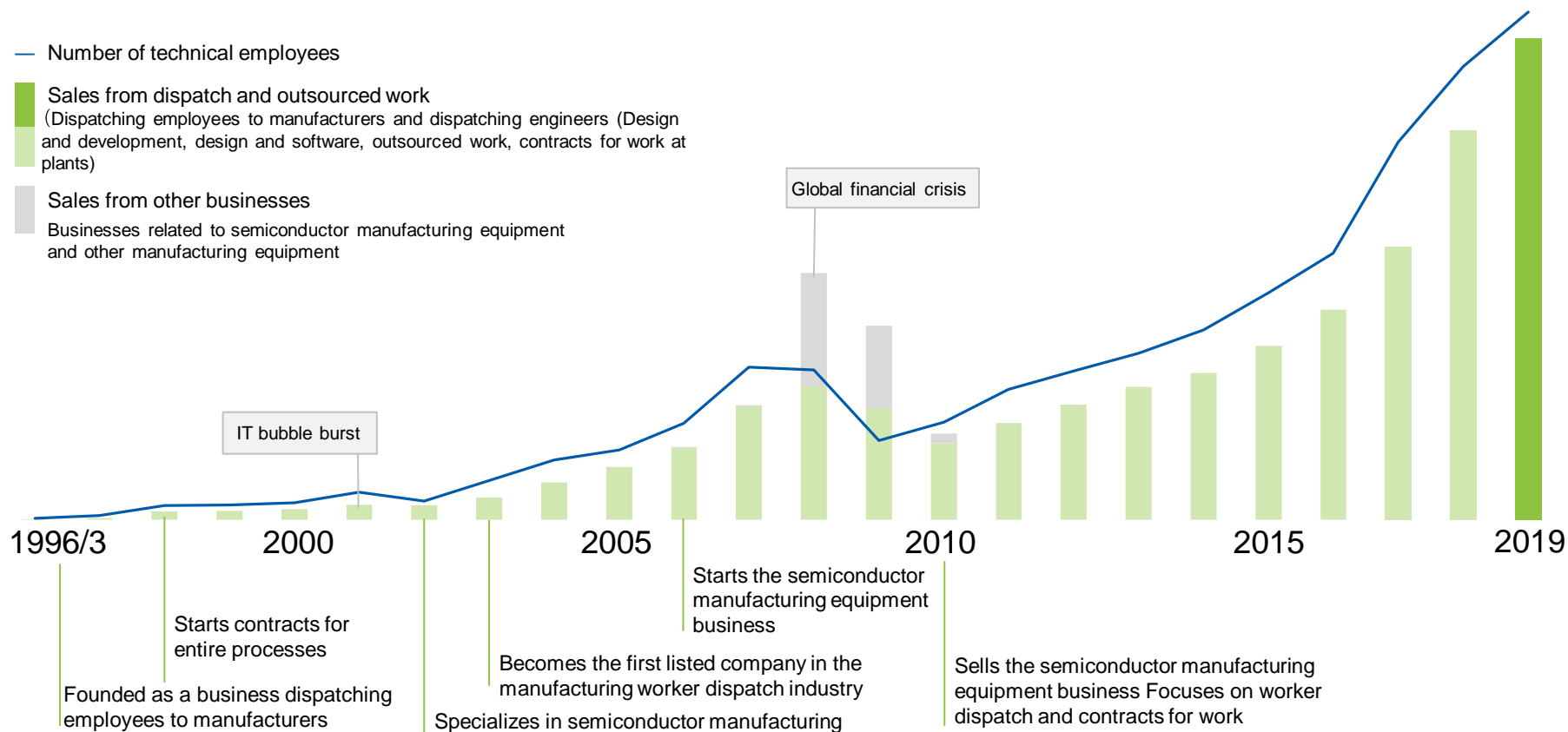
## 4. About UT Group

# 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.

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



# 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

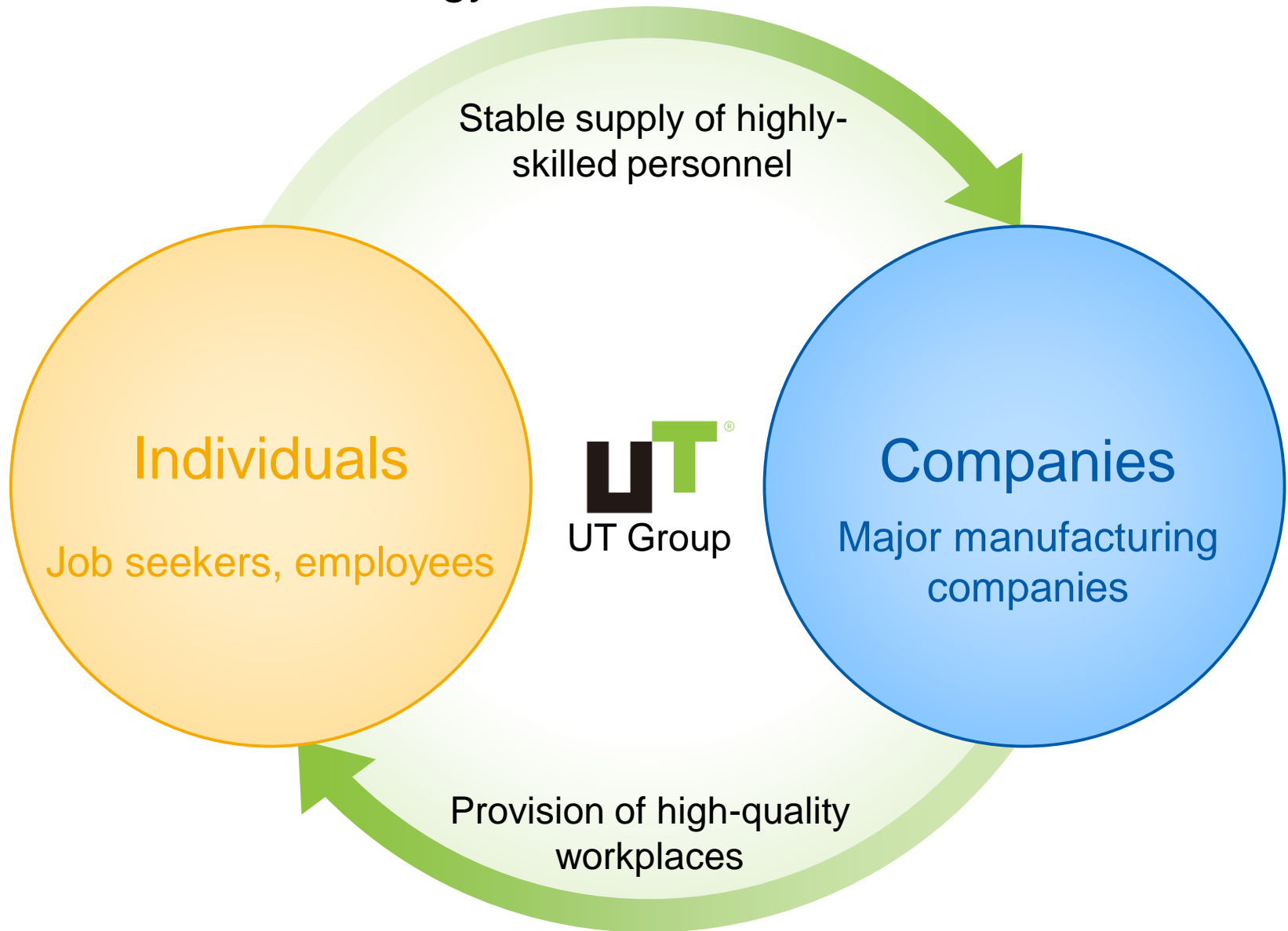


#### Share profit from enhanced corporate value with employees

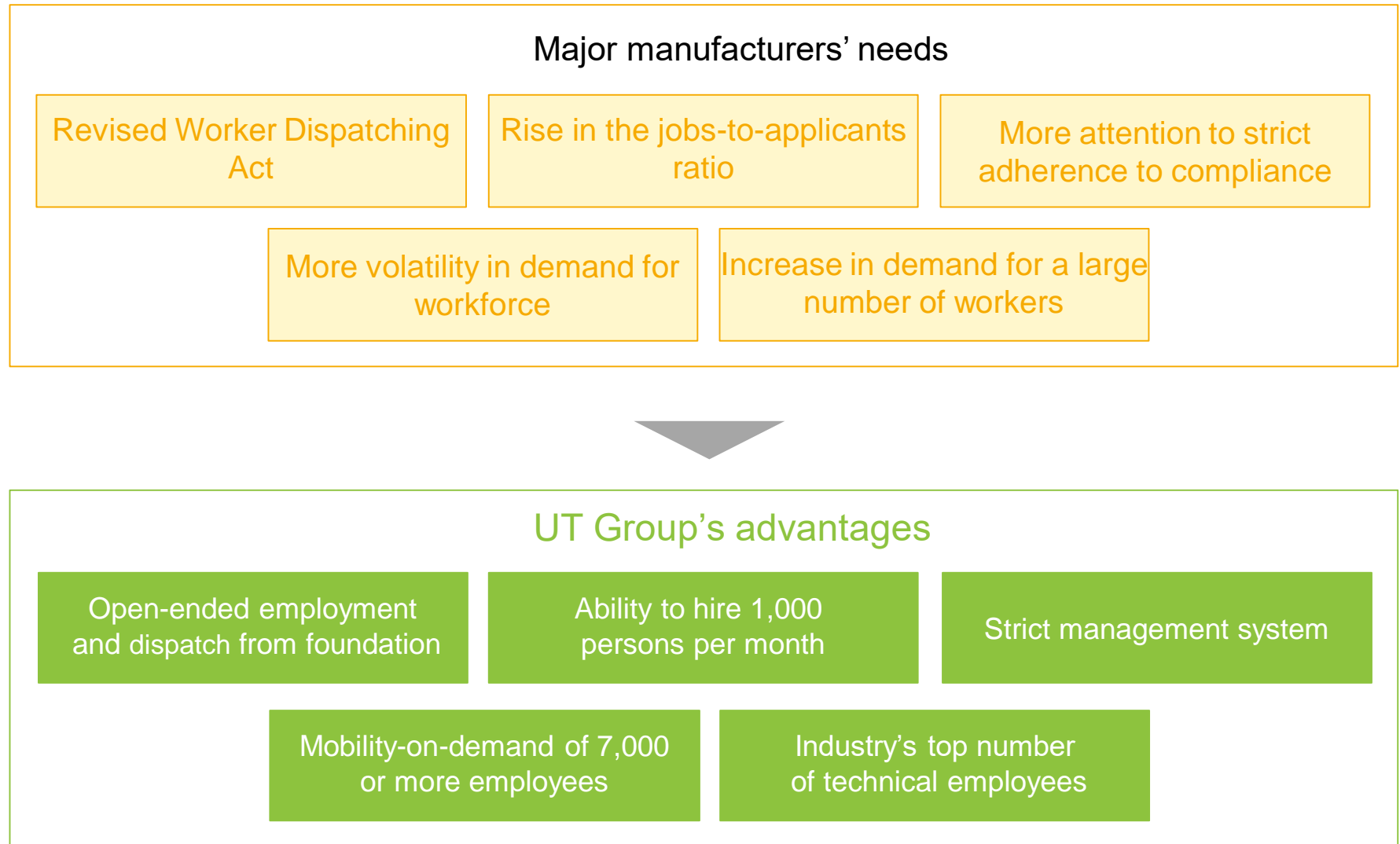
- Measures to encourage employees to become shareholders



# Twin-Customer Strategy and Career Platform



# Business Environment of the Manufacturing Dispatch Industry



## 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.

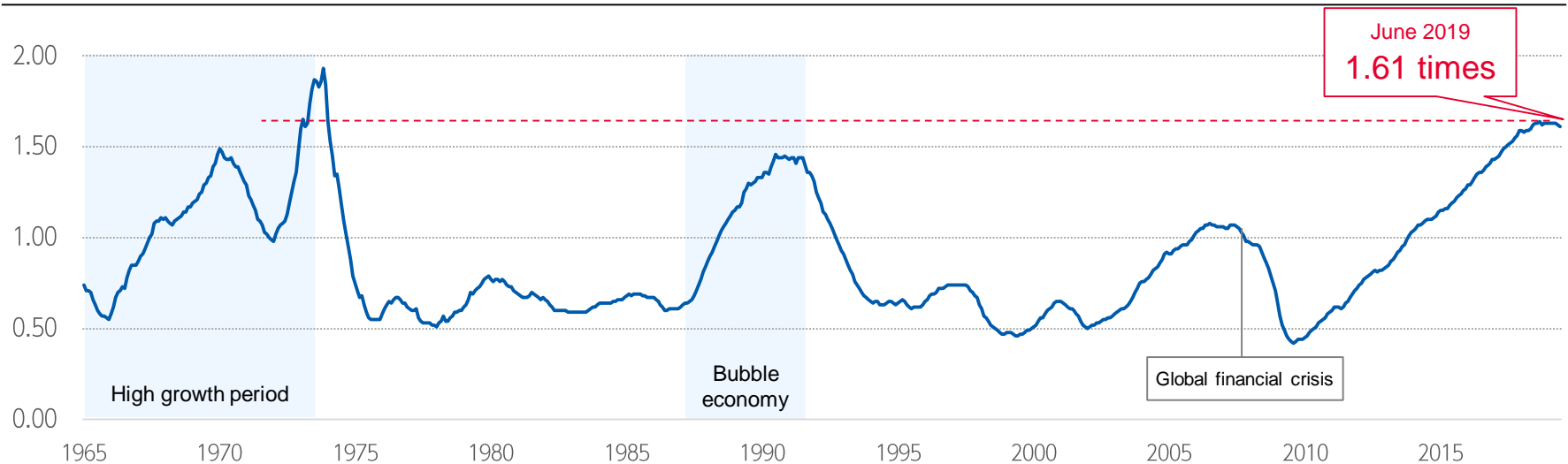
### Tighter regulations concerning contract workers

2013: Revised Labor Contracts Act

#### Tighter regulation

Risk of an increase in companies' fixed costs

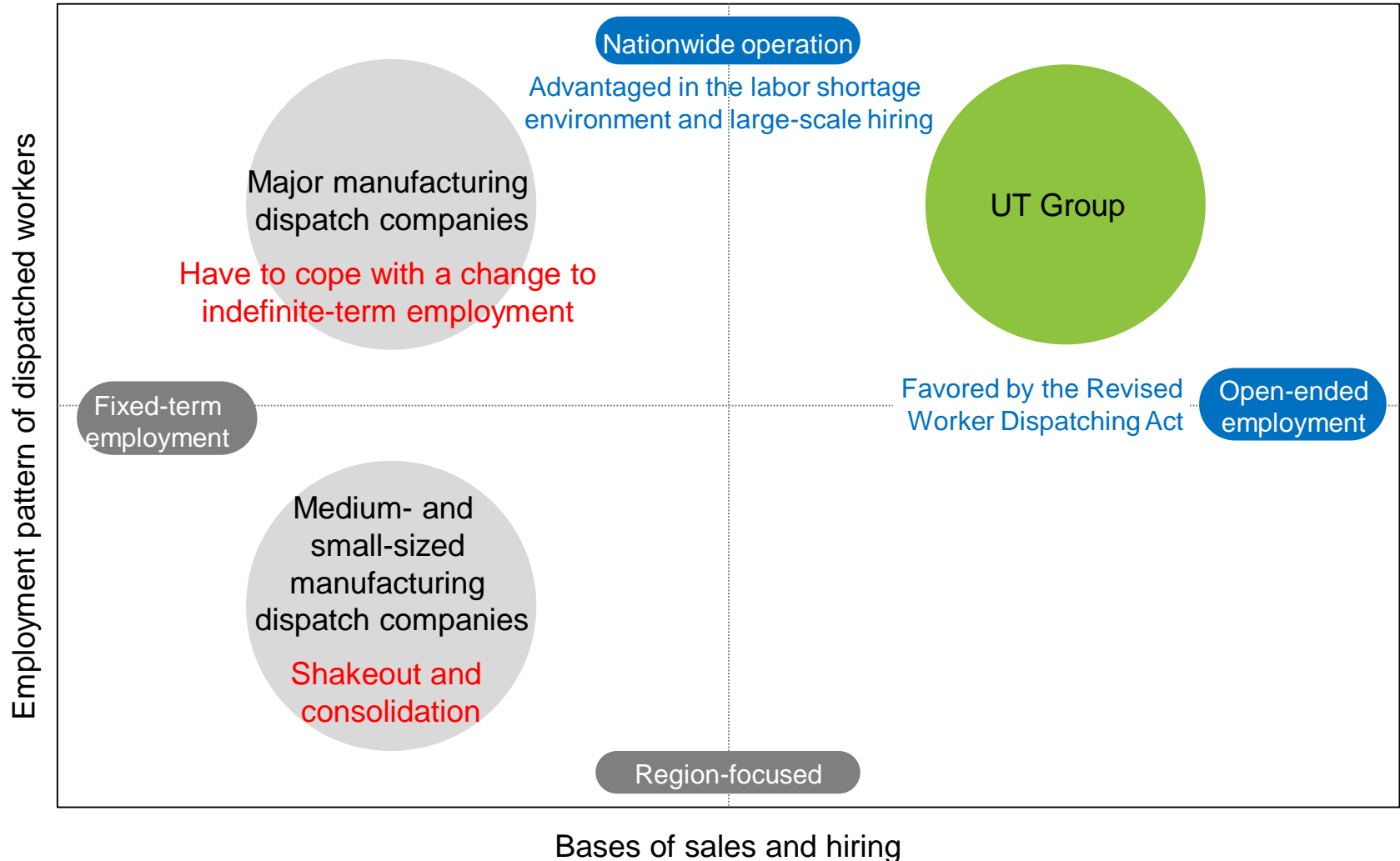
### ■ Jobs-to-applicants ratio in Japan



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



# 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	-
<b>Total return ratio</b>	<b>50.1%</b>	<b>30.0%</b>	<b>30.0%</b>	<b>50.3%</b>

\* 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

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

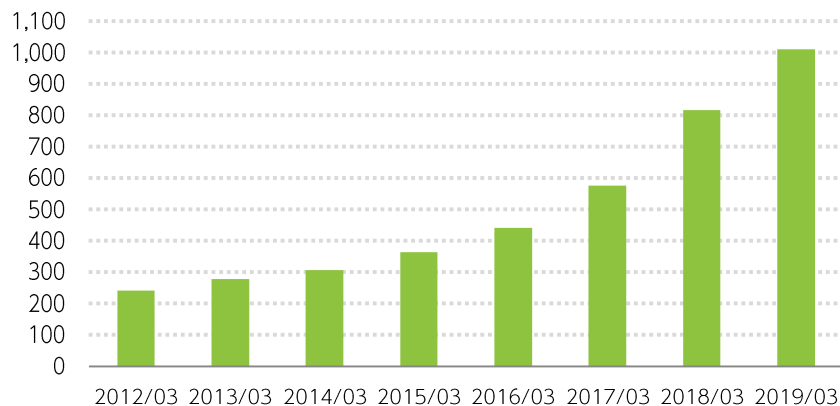


## 4. About UT Group

# Trends of Business Results

### Net sales

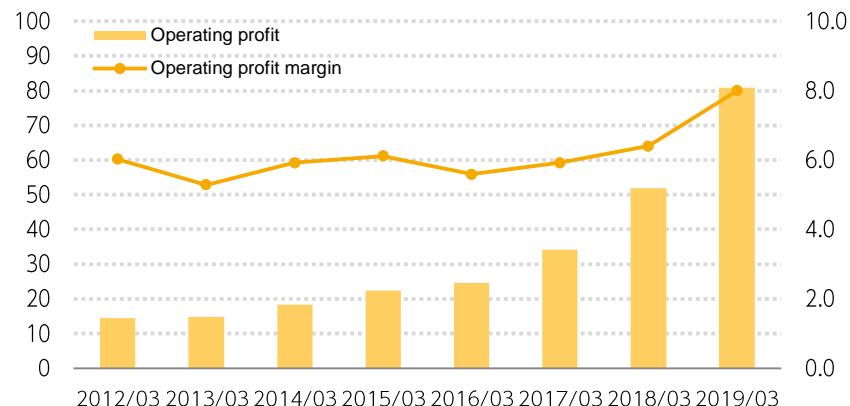
(100 million yen)



### Operating profit (LH) and

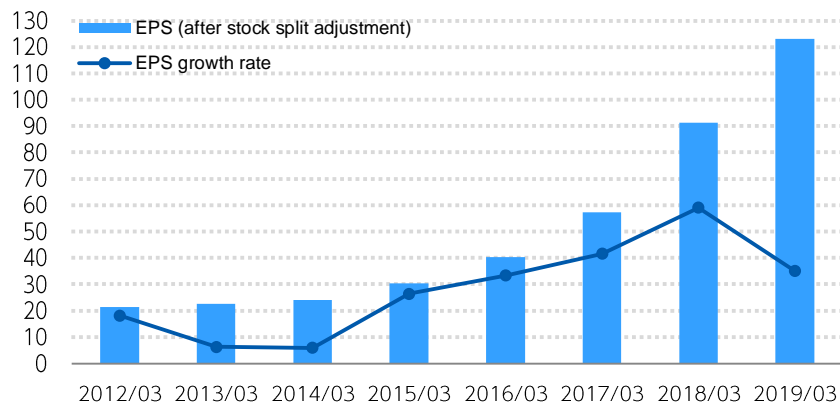
### Operating profit margin (RH)

(100 million yen, %)



### EPS and EPS growth rate

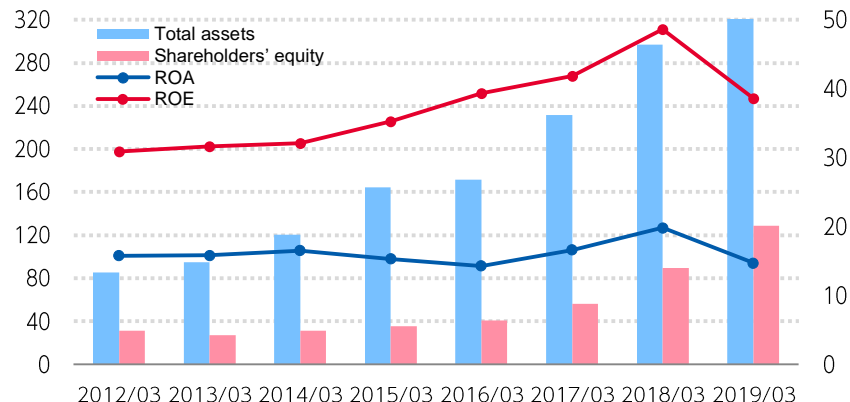
(Yen, %)



### Total assets and Shareholders' equity (LH)

### ROA and ROE (RH)

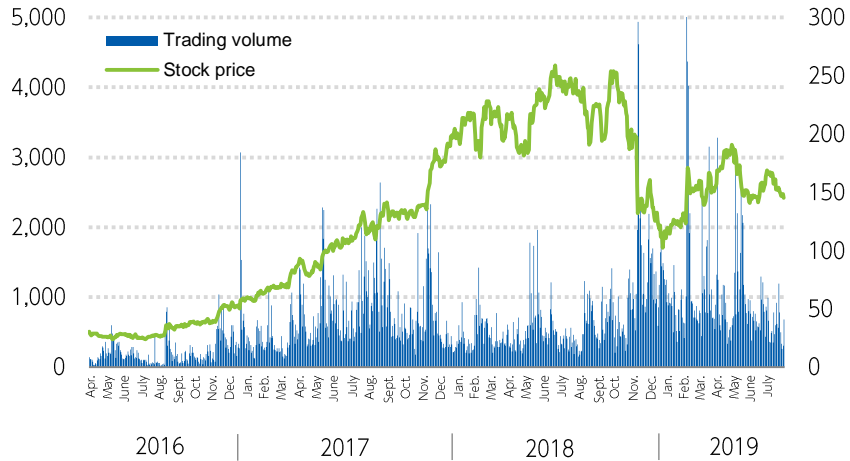
(100 million yen, %)



## 4. About UT Group

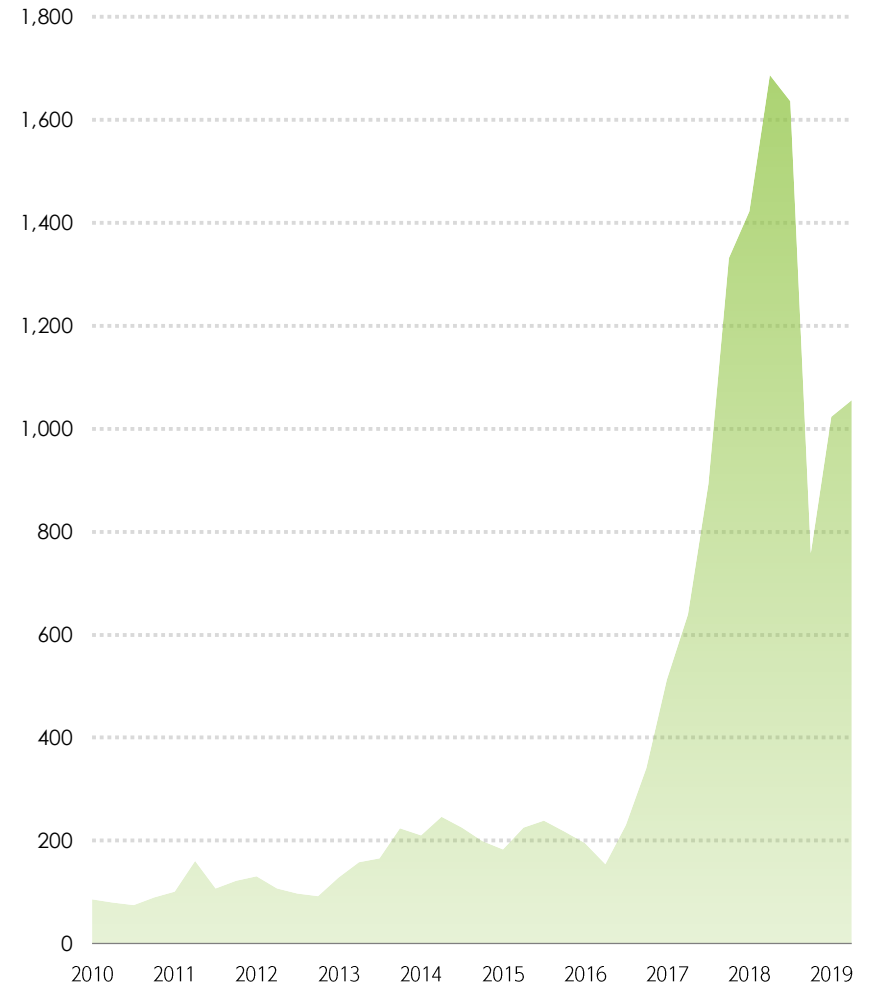
# Trends of Stock Price

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



**Market capitalization**

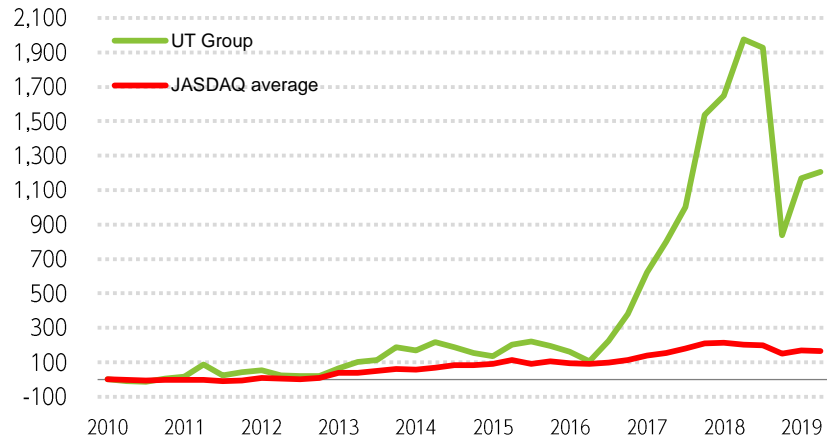
(100 million yen)



## Changes in stock price

(compared with the level on March 31, 2010)

(%)



# 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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