UT Group Co., Ltd. [2146]

Report on the Medium-Term Outlook and Operations

Sep. 2018

The UT Group objective:
Becoming the No. 1 Monozukuri staffing company based on the career development platform for expanding the potential of working people by imbuing them with greater safety, bonding, and growth



Copyright © UT Group Co., Ltd. All rights reserved.

0 Contents

Copyright © UT Group Co., Ltd. All rights reserved.

1 **Executive summary** 3
High growth is achieved by creating an environment where employees grow through working 4

2 **Corporate outline, history, and business** 6
2-1 Corporate outline 7
2-2 History 8
2-3 Business Outline 9

3 **Founding story** 13
3-1 From a lofty "aim" behind creation of the original company into becoming the No. 1 in manufacturing staffing business 14
3-2 Tripled growth in 5 years under the present medium-term business plan, "Create jobs nationwide in Japan" 16

4 **Mission, vision, twin customer strategy, and business model** 17
4-1 Mission "Create vigorous workplaces empowering workers" 18
4-2 Vision "Create jobs nationwide in Japan" 20
4-3 Twin Customer Strategy 22
4-4 Business model: Infrastructure to create employment in Japan 30

5 **Review of the Medium-Term Business Plan up to FY3/2018** 32
5-1 Significant growth was achieved toward becoming the No. 1 Monozukuri staffing company 33
5-2 Twin Customer Strategy to be enhanced 35
5-3 Increasingly confident to achieve FY3/2021 business plan targets, with upside potential 36
5-4 All three business segments posted high growth in FY3/2018 38

6 **Competitive environment** 39
6-1 External market environment: the number of dispatched workers in production processes is rising 40
6-2 Increasing importance of domestic manufacturing bases 42
6-3 Competitive environment 43
6-4 The wave of consolidation that hit dispatch business in the office work area is now hitting the manufacturing work area 45
6-5 Develop human resources needed in the 4th Industrial Revolution and aim at long-term dynamic growth 46

7 **Growth outlook beyond the FY3/2017-FY3/2021 business plan** 47
7-1 Aiming at further long-term growth 48
7-2 Market changes over the next 10 years: 4 trends and 5 implications 49
7-3 Foreign trainees 51
7-4 Expanding business target to excellent intermediate-size companies 52
7-5 M&A 52
7-6 Full-scale transfer of employees to client companies 52

8 **Capital policy and shareholders' return policy** 53

9 **Environment, social contribution, and governance (ESG)** 55
10-1 Environment 56
10-2 Social contribution 56
10-3 Governance 58

Disclaimer 60

Copyright © UT Group Co.,Ltd. All rights reserved.

1 Executive summary

High growth is achieved by creating an environment where employees grow through working

FY3/2017-FY3/2021 business plan is moving ahead of its targets

Labor-related regulatory changes since 2018 are boosting demand for dispatched workers with open-ended employment

Copyright © UT Group Co., Ltd. All rights reserved.

High growth is achieved by creating an environment where employees grow through working

FY3/2017-FY3/2021 business plan is moving ahead of its targets

From the time it was created, in 1995, UT Group has been the industry's forerunner in dispatching its regular employees with open-ended employment contracts to client companies, guaranteeing their job security and reliability, under the corporate mission to "Create vigorous workplaces empowering workers" and aim to "Create an environment for all employees to work at ease." More than other companies, we have assisted employees' career advancement, have promoted team dispatching and programs to motivate employees, and have allocated a portion of the company's annual return from its enhanced corporate value to employees, and have established an environment for employees to grow through working. We set a new vision, to "Create jobs nationwide in Japan" in our FY3/2017-FY3/2021 business plan. By implementing a "Twin Customer Strategy," which means to raise value of workers and to solve issues of manufacturing companies at the same time, we have realized a virtuous cycle of growth in the midst of an increase in demand for dispatching of workers with open-end employment, triggered by labor-related law revisions. Compound annual growth rates (CAGR) of two years from FY3/2016 to FY3/2018 were 36% in sales and 45% in operating profit. In FY3/2018, sales amounted to ¥81 billion and operating profit were ¥5 billion, which exceeded the forecast by 18%.

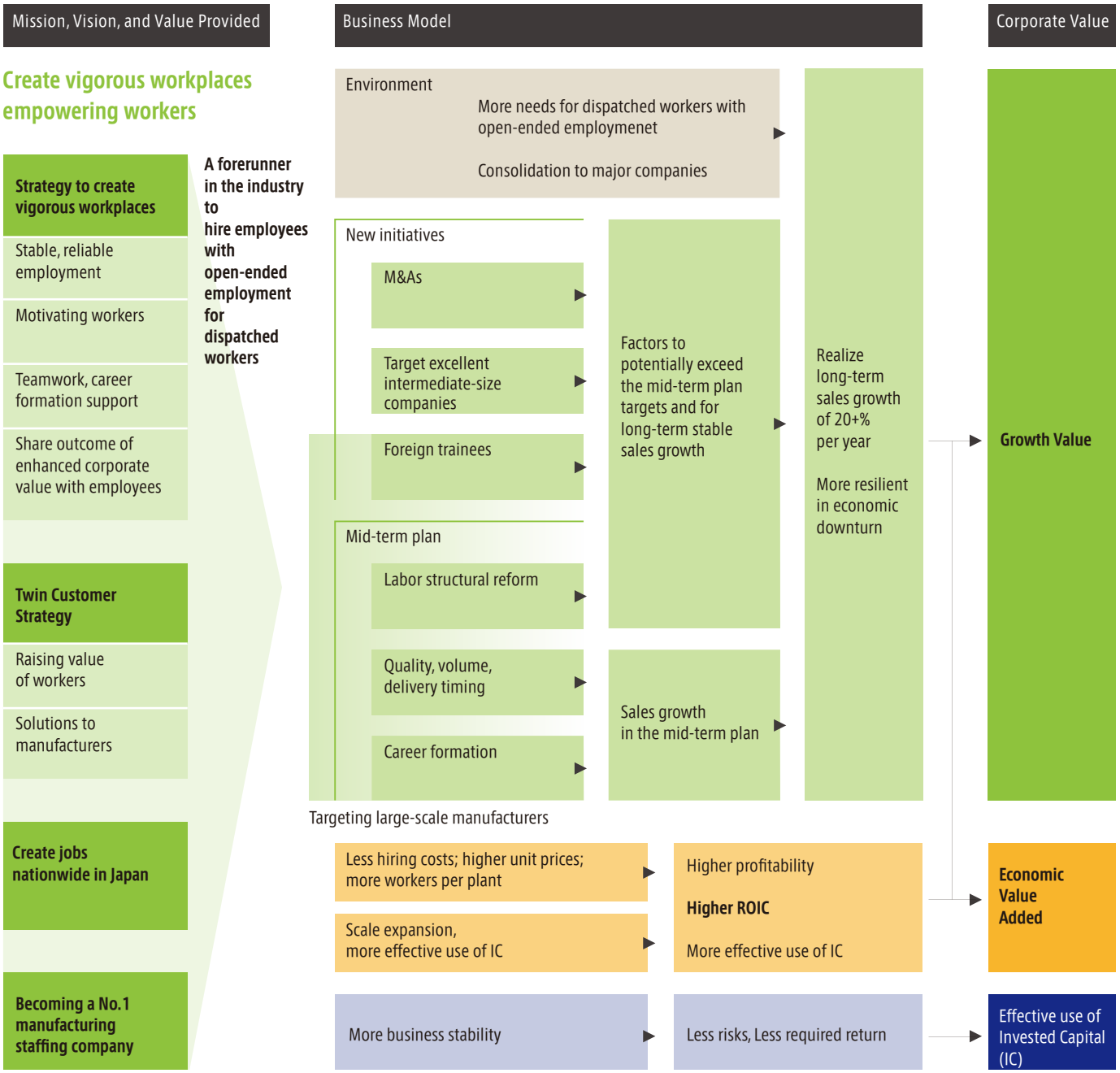
Labor-related regulatory changes since 2018 are boosting demand for dispatched workers with open-ended employment

Demand for dispatched workers with open-ended employment is expected to accelerate from 2018 and increase by 25-30% per year over the next three years, being influenced by corporate response to labor-related regulations. We are therefore likely to exceed our targets for FY3/2021 by 20% growth per year from here. In order to have higher sales growth than the targeted 20% in the FY3/2017-FY3/2021 business plan and to establish a solid base to grow sales even during an economic downturn, we are striving to (1) enhance our capacity to respond to client companies' structural reform of their workforce; (2) engage significantly in managerial agency business for foreign technical interns; (3) enhance our business target to excellent intermediate-size companies; (4) increase our M&A activities; and (5) promote transfer of our employees to client companies.

Next page:
FY3/2017-FY3/2021 business plan's progress and corporate value structure (conceptual depiction)

Copyright © UT Group Co.,Ltd. All rights reserved.

FY3/2017-FY3/2021 business plan's progress and corporate value structure (conceptual depiction)



Copyright © UT Group Co.,Ltd. All rights reserved.

2 Corporate outline, history, and business

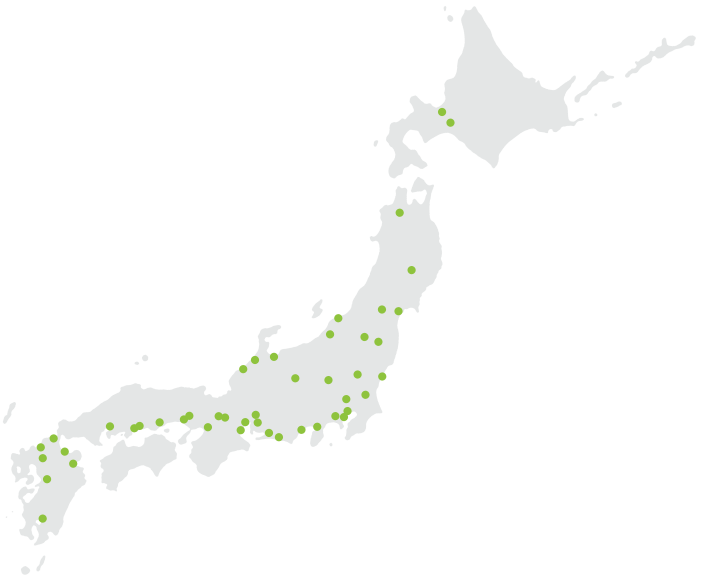
Corporate outline	Corporate outline
	Branches and offices
	Group companies
History	
Business outline	Sales by segment
	Subsidiaries
	Manufacturing Business
	Solution Business
	Engineering Business

Copyright © UT Group Co., Ltd. All rights reserved.

Corporate outline

Corporate name	UT Group Co., Ltd.
Founded	April 2, 2007
Capital	¥680 million
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

UT Group Co., Ltd.

- **Manufacturing Business**
  - **UT Aim Co., Ltd.** Comprehensive manufacturing outsourcing
  - **UT Community Co., Ltd.** Comprehensive manufacturing outsourcing
  - **UT Global Co., Ltd.** Agency service for foreign technical interns
- **Solution Business**
  - **UT Pabec Co., Ltd.** Battery manufacturing outsourcing
  - **UTHP Co., Ltd.** Comprehensive manufacturing outsourcing
  - **FUJITSU UT Co., Ltd.** Comprehensive manufacturing outsourcing
- **Engineering Business**
  - **UT Technology Co., Ltd.** Outsourcing and subcontracting of engineers in design & development and IT
  - **UT Construction Co., Ltd.** Construction engineer outsourcing
  - **Lei Hau' oli Co., Ltd.** Website production
- **Other Business**
  - **UT Agent Co., Ltd.** Fee-charging employment agency
  - **UT Life Support Co., Ltd.** Internal benefit program management
  - **UT Heartful Co., Ltd.** Special Subsidiary Company

Copyright © UT Group Co.,Ltd. All rights reserved.

History

1995	Apr.	Aim CIC Company was founded.
1996	July	Aim CIC Company was reorganized to Nihon Aim Co., Ltd. (currently UT Aim Co., Ltd.)
2003	Dec.	Nihon Aim was listed in the JASDAQ market.
2006	Apr.	Shares of Artista Co., Ltd. was acquired and it became a subsidiary (and was integrated to UT Technology Co., Ltd. in Dec. 2011).
2007	Apr.	Nihon Aim and Apex Inc. jointly transferred shares to establish United Technology Holdings Co., Ltd. (currently UT Group Co., Ltd.) as a pure shareholding company and a parent company of wholly owned subsidiaries. It was listed in the JASDAQ market. (Nihon Aim was delisted.)
2008	Sep.	Heartful Aim Co., Ltd. (currently UT Heartful Co., Ltd.) was established.
2009	Jan.	United Technology Holdings was renamed UT Holdings Co., Ltd.
	Nov.	All shares of Apex were sold to Hachitoku Co., Ltd.
2010	Jan.	Comm Leading Co., Ltd. was established (and was integrated to UT Technology in Dec. 2011).
	Mar.	Comm Agent Co., Ltd. was established (and was integrated to UT Aim in Apr. 2014).
		UT Revive Co., Ltd. was established (and was integrated to UT Aim in Apr. 2014).
2012	Apr.	Comm Agent was renamed UT icom Co., Ltd.
		UT Construction Network Co., Ltd. (currently UT Construction) was established.
		UT Career Co., Ltd. (currently UT Agent) was established
	July	To enhance UT Group's brand power, some subsidiaries were renamed to make corporate names of all subsidiaries start with UT. Accordingly Nihon Aim was renamed to UT Aim , and Comm Leading to UT Leading.
		Oct. UT Life Support Co., Ltd. was established.
2013	July	81% of shares of Panasonic Battery Engineering Co., Ltd. was acquired and it became a subsidiary (renamed UT Pabec Co., Ltd.)
2014	Apr.	UT icom and UT Revive, both in manufacturing dispatch and outsourcing, were integrated to UT Aim.
2015	Mar.	Shares of System Revolution Co., Ltd. were acquired and it became a subsidiary (currently UT Technology).
	July	UT Holdings was renamed to UT Group Co., Ltd.
	Oct.	UT Leading Co., Ltd. was renamed to UT Technology, UT Construction Network. to UT Construction Co., Ltd., and System Revolution to UT System Co., Ltd.
2016	May	Shares of Atex Co., Ltd. were acquired and it became a subsidiary (and was integrated to UT Technology in April 2017).
	June	UT Global Co., Ltd. was established.
	Dec.	UTHP was established.
		Forward Co., Ltd. became a subsidiary (and was integrated to UT System in April 2017).
2017	Jan.	UT Group opened an engineer development facility, UT Advanced Career Center.
	Mar.	Shares of Tight Work, K.K. was acquired and it became a subsidiary (currently UT Community Co., Ltd.)
	Apr.	Lei Hau'oli Co., Ltd. became a subsidiary.
2018	Apr.	Tight Work was renamed to UT Community.
		UT Technology and UT System were merged with UT Technology being a surviving company.
		Fujitsu Aprico Limited was split into dispatching business and others. UT Group acquired 51% of shares of the surviving company engaged in dispatching business and made it a subsidiary (renamed to Fujitsu UT Co., Ltd.)

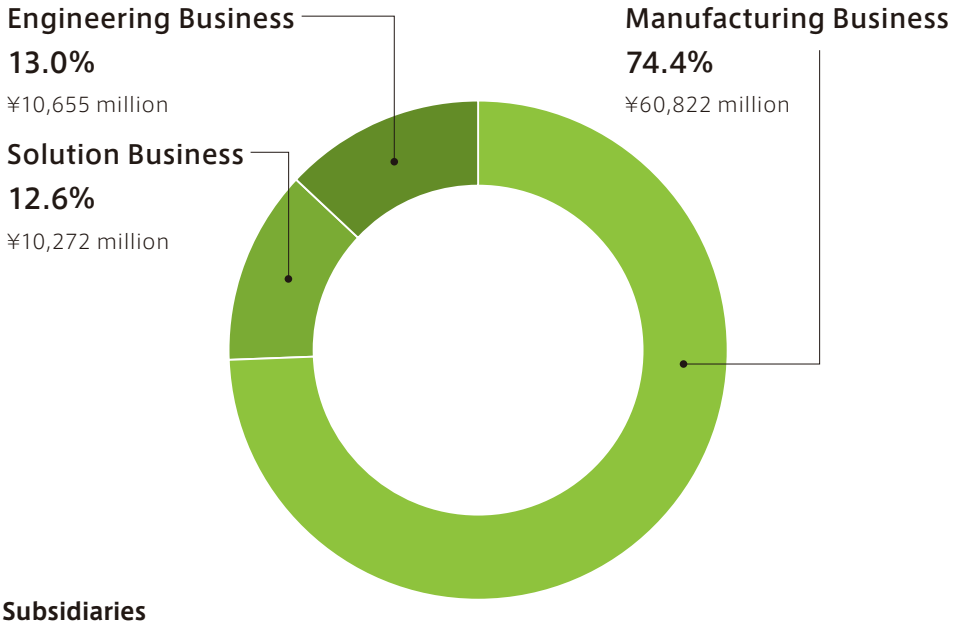
Copyright © UT Group Co.,Ltd. All rights reserved.

Business outline

Sales by segment

UT Group consists of three business segments. The Manufacturing Business is mainly dispatching (staffing) service for production processes at major manufacturers' plants. The Solution Business is to dispatch UT Group's employees to assist structural reform of major corporate groups. The Engineering Business is dispatch of mechanical, electrical, and electronics engineers for design and development work, and dispatch of construction engineers and system engineers. The Manufacturing Business represents about 74% of total sales, while the other two businesses represent roughly 13% each.

Sales by business segment



Subsidiaries

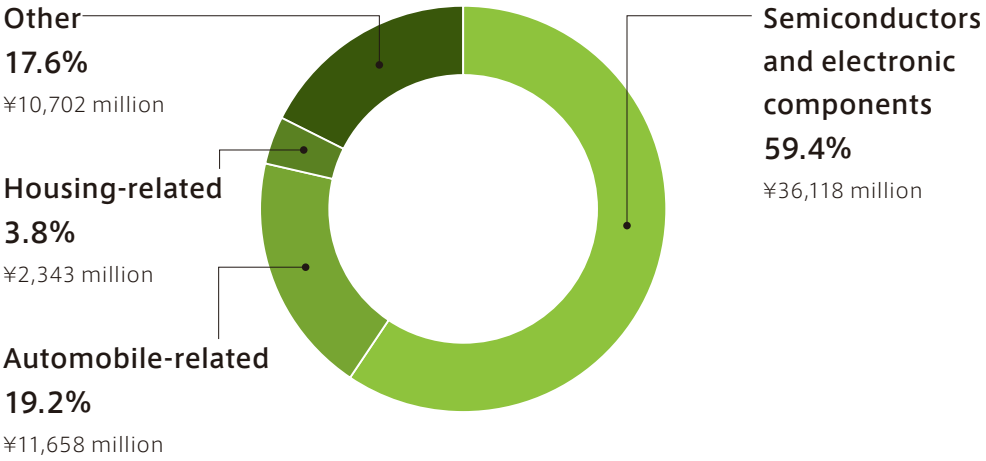
The Manufacturing Business is operated by three subsidiaries: UT Aim, which is our Group's original business company; UT Community, which is specialized in the Kansai Region; and UT Global, which is engaged in agency service for foreign technical intern trainees who work in major companies' plants. The Solution Business is operated by UT Pabec, the former battery manufacturing outsourcing service company of Panasonic Corporation, which became UT Group's subsidiary; UTHP, which assists the Hitachi Group's structural reform; and Fujitsu UT, which assists the Fujitsu Group's structural reform.
The Engineering Business is operated by UT Technology, which dispatches IT system and design engineers; UT Construction, which dispatches construction engineers; and Lei Hau'oli, which is engaged in website engineering business.

Copyright © UT Group Co.,Ltd. All rights reserved.

Manufacturing Business

Major clients in the Manufacturing Business are large companies primarily in the semiconductor and electronic components sector, the automobile-related sector, and the housing sector.

Sales breakdown and major client groups



Aisin Seiki	Toyota	Hitachi
GS Yuasa	Nissha Printing	Mitsubishi Electric
Sony	NEC	Mitsubishi Motor
DaiNippon Printing	Panasonic	LIXIL
Toshiba	Hamamatsu Photonics	Rohm

Major subsidiaries in the Manufacturing Business

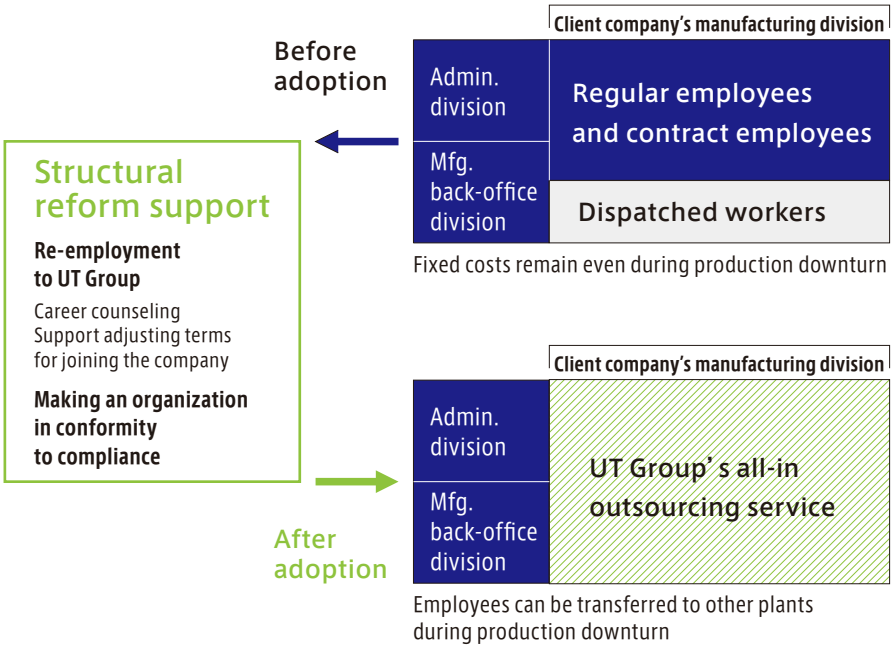
Name of subsidiary	Business activities
UT Aim Co., Ltd. Comprehensive manufacturing dispatching	Inherited UT Group's founding company (Sales: ¥57.4 billion in FY3/2018)
	Generates 90% of sales of the Manufacturing Business segment
UT Community Co., Ltd Comprehensive manufacturing dispatching	Comprehensive manufacturing dispatching, based in the Kansai region
	Distinguished with a community-based intensive sales and marketing style
UT Global Co., Ltd. Managerial agency for foreign technical interns	Managerial agency service for foreign technical interns to work at a plant of a major company

Copyright © UT Group Co.,Ltd. All rights reserved.

Solution Business

This business was separated from the former manufacturing outsourcing business and became an independent business segment in FY3/2018. Japanese manufacturers transfer a part of their regular employees to UT Group, and outsource the production line work performed by them to UT Group at the same time. We call this an In-house Solution service, and its needs derive from economic changes in Japan and overseas. We believe this is a uniquely innovative scheme. By using this scheme, our clients acquire new business options, while we can take care of the labor and production management, maintain employment for these employees, and make a profit. Since October 2009 when we received the industry's first order of this kind, we have received similar orders from the semiconductor, electronic parts, and precision sectors.

In-house Solution service



At present, the Solution Business is operated by three subsidiaries: UT Pabec being engaged in the structural reform of the Panasonic Group; UTHP, in the structural reform of the Hitachi Group; and FUJITSU UT, in the structural reform of the Fujitsu Group.

Subsidiaries in the Solution Business

Name of subsidiary	Corporate group benefiting from UT's assistance to its structural reform
UT Pabec Co., Ltd.	Panasonic Group
UTHP Co., Ltd.	Hitachi Group
FUJITSU UT Co., Ltd.	Fujitsu Group

Copyright © UT Group Co.,Ltd. All rights reserved.

Engineering Business

Design and development engineers

UT Technology is mainly engaged in this business of design and development of software and hardware. Work tasks are broad-based, including design and development of enterprise systems or embedded software and hardware, based on contracts such as for subcontracting, entrusted development, and dispatching work, for clients of a broad range of industries, including automobile, semiconductor, telecommunication device, and consumer electronics.

Construction engineers

UT Construction is engaged in this business. It provides all-around support for a series of processes including feasibility survey, design, construction and completion in the construction industry. This is achieved by combining "worker dispatch services" to provide the right amount of high-quality manpower when needed with "outsourced work services" to fulfill needs that cannot be satisfied by employee dispatch alone.

IT engineers

UT Technology and Lei Hau'oli operate this business. IT engineers provide support for the development of various systems; from large-scale backbone systems, mission-critical peripheral systems, and scratch development to the installation of ERP software, mainly in the financial, manufacturing, and retail sectors. In addition to the development of enterprise applications, the companies are prepared to provide total solutions that span from proposal for IT infrastructure building and management to design and maintenance services. In addition, IT engineers are engaged in planning, design, production, development, and consulting services for general website media and for website media for mobile phones.

Subsidiaries in the Engineering Business

Name of subsidiary	Business activities
UT Technology Co., Ltd.	Dispatching of and subcontracting work by design and development engineers and IT engineers
UT Construction Co., Ltd.	Dispatching of construction engineers
Lei Hau'oli Co., Ltd.	Website production

Copyright © UT Group Co.,Ltd. All rights reserved.

3 Founding story

From a lofty "aim" behind creation of the original company into becoming the No. 1 in manufacturing staffing business

The governing concept of the company was to contribute to Japan's Monozukuri

Focus on the workers' standpoint: Provide "reliability" and "growth"

Provided "bonding" through teamwork

Adopted the mission "The power to work creates vigorous workplaces"

Entered the semiconductor industry and became No. 1 in the semiconductor manufacturing outsourcing

The industry's first company to be listed, and launching of an employee shareholding plan; renamed UT Group

Built a base to become a "Japan's No. 1 outsourcing provider in quality and volume"

Tripled growth in 5 years under the present medium-term business plan, "Create jobs nationwide in Japan"

Copyright © UT Group Co., Ltd. All rights reserved.

From a lofty "aim" behind creation of the original company into becoming the No. 1 in manufacturing staffing business

The governing concept of the company was to contribute to Japan's Monozukuri

UT Group originated from Aim C.I.C. Company, founded by 24-year-old Yoichi Wakayama in 1995. Its corporate name in Japanese included the English word "aim" to emphasize its high aspirations and determination. With a strong conviction that resource-limited Japan's strength lies in its Monozukuri[1], we started a personnel dispatching and subcontracting company focused on the manufacturing industry. The company was renamed Nihon Aim in 1996.

1 Monozukuri is a Japanese-origin concept widely accepted and used in Japan. It may be described as embracing more than the literal meaning. It offers the idea of possessing the "spirit to produce excellent products and the ability to constantly improve a production system and process". The concept carries "overtones of excellence, skill, spirit, zest, and pride in the ability to make things good things very well."

Focus on the workers' standpoint: Provide "reliability" and "growth"

Back in 1995, Japan's makers in general were troubled with a low retention rate of dispatched workers and the resultant lower efficiency in production. We therefore proposed a scheme that would help dispatched workers grow through training prior to sending them to the client plants, and raised their pay based on their skill levels. This scheme helped improve both retention rate and production efficiency of the now highly motivated employees. Nihon Aim adopted the policies of providing "regular (open-ended) employment" and "social insurance for all employees," defying the industry norms.

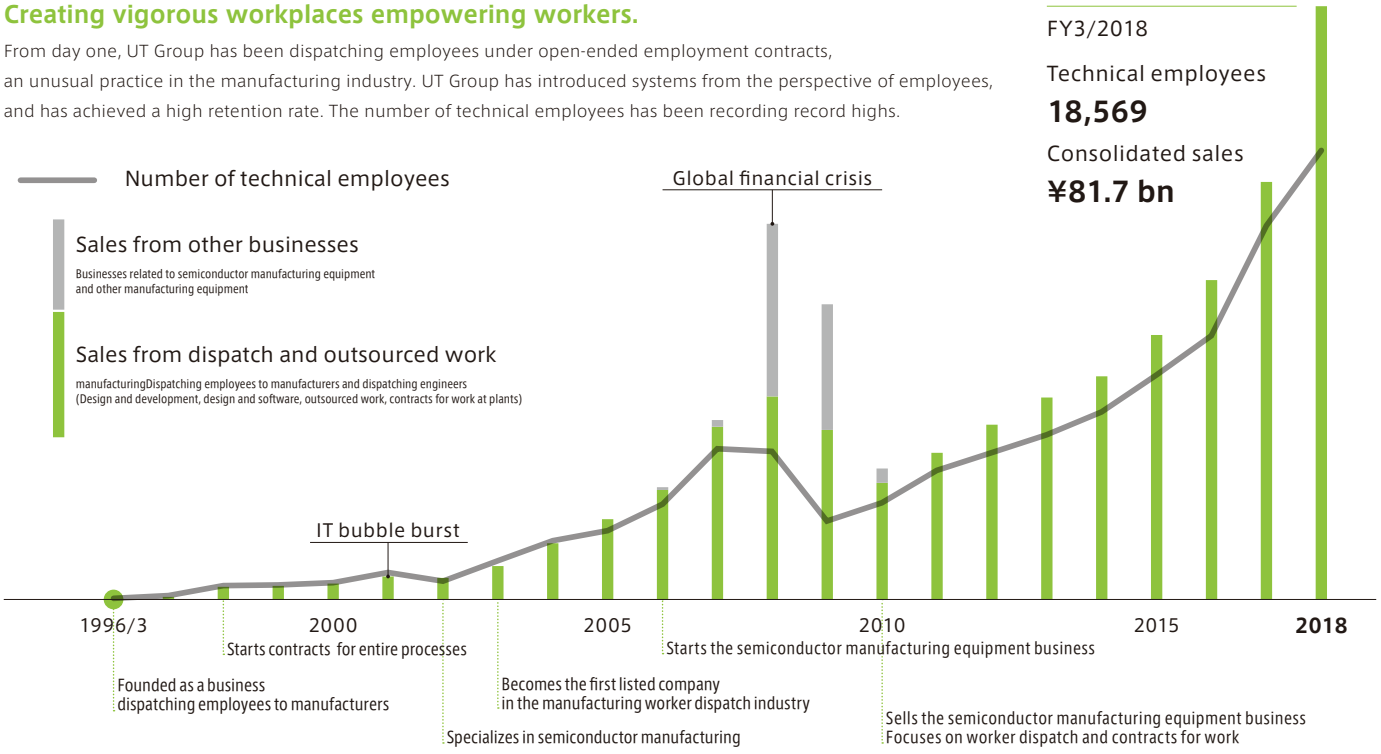
Provided "bonding" through teamwork

Next, Nihon Aim addressed the matter of how to reform work. A conventional individual dispatched worker would tend to not be motivated by a sense of fulfillment from working together with others. Starting from this awareness we were inspired to create a unique business model: to do outsourcing service for an entire production process with our leader and our employees working as a single team. This model led to enhanced management efficiency of clients and we increased the number of client plants.

UT Group's growth since foundation

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.



Copyright © UT Group Co.,Ltd. All rights reserved.

Adopted the mission "The power to work creates vigorous workplaces"

In 2001, the IT recession hit the industry and Nihon Aim recorded a decrease in sales and profit for the first time. Management and employees discussed the survival of the company for more than a year and concluded that the innate function of Nihon Aim is to raise skills of employees and support clients' Monozukuri by deployment of teams. During the discussions, employees used a word "vigorously" many times. This concept has led to adopt as our mission "Power to work creates vigorous workplaces."

Entered the semiconductor industry and became No. 1 in the semiconductor manufacturing outsourcing

Consonant with our mission, we decided to concentrate management resources in the semiconductor field, which requires high-level expertise and is suitable for outsourcing service work in units of teams. Nihon Aim hired experienced personnel, established a human resources management system and a training system, and successfully obtained orders one after another from semiconductor manufacturers. Thereafter, Nihon Aim was highly evaluated by many companies, on the basis of its enhanced system for employee training and compliance, and proudly achieved the No. 1 position in the semiconductor manufacturing outsourcing service industry.

The industry's first company to be listed, and launching of an employee shareholding plan; renamed UT Group

In 2003, Nihon Aim became the first company in the manufacturing outsourcing industry to be listed in the JASDAQ market. We also launched the industry's first employee shareholding plan. In April 2007, UT Group Co., Ltd. was founded as a holding company.

Built a base to become "Japan's No. 1 outsourcing provider in quality and volume"

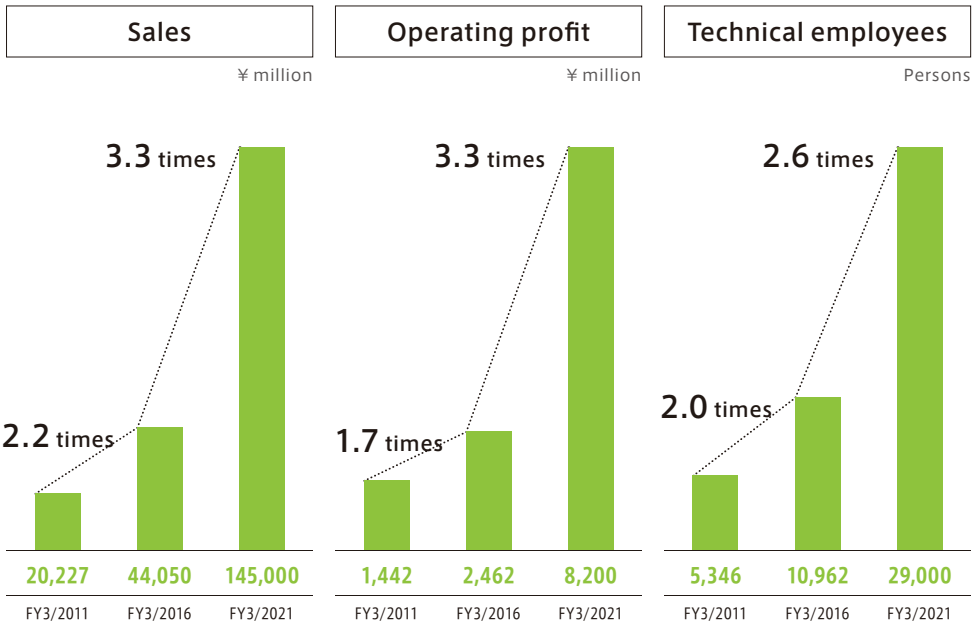
In 2008 UT Group faced another challenge, a global recession triggered by the Lehman Shock. The Japanese manufacturing sector, including the semiconductor industry, fell into a quandary with production dropping as much as by half. By taking various measures, UT Group was able to emerge from this crisis. In FY3/2012, UT Group put into action a strategy to expand the number of client plants and the number of its workers per plant, and to diversify its client base to include non-semiconductor clients. We entered the high-value-added engineer outsourcing business, improved the environment to motivate workers, and enhanced hiring capability. These have enabled us to achieve one of the largest business scales in manufacturing outsourcing. Comparing FY3/2016 results to FY3/2011 results, sales expanded by 2.2 times to ¥44.0 billion, operating profit increased by 1.7 times to ¥2.4 billion, and the number of technical employees doubled to 10,926.

Copyright © UT Group Co.,Ltd. All rights reserved.

Tripled growth in 5 years under the present medium-term business plan, "Create jobs nationwide in Japan"

UT Group's growth has accelerated since the present FY3/2017-FY3/2021 medium-term business plan started. Under a new vision, to "Create jobs nationwide in Japan," we are responding to both job seekers and companies which look for external workers. We are also enhancing a career platform for employees, contributing to the Workstyle Innovation and Promoting Dynamic Engagement of All Citizens plan spearheaded by the Japanese Government. As a basic strategy, our focuses are to expand scale, enhance functions, and expand business domains to become the No. 1 Monozukuri staffing company, realize outstanding capacity in assisting employees' career development, and make rapid progress to be a leading company. We target about a tripling of growth from FY3/2016 to FY3/2021, to ¥145 billion in sales, ¥8.2 billion in operating profit, and 29,000 in the number of technical employees. Our EPS target in FY3/2021 is ¥157.

Medium-term business plan: tripling growth in 5 years



Copyright © UT Group Co.,Ltd. All rights reserved.

4 Mission, vision, twin customer strategy, and business model

Mission	**“Create vigorous workplaces empowering workers”**
	Brandmark
Vision	**“Create jobs nationwide in Japan”**
	Expanding scale
	Enhancing functions
	Expanding scope
Twin customer strategy	**Three values provided to job seekers and employees**
	Team dispatch to encourage bonding: promoting development of leadership and management skills for career advancement
	Systematic career formation scheme
	Main career formation scheme
	Free programs available for employees to enhance their job skills
	Outcome of UT career formation assistance
	Three value contributions provided to client companies as comprehensive labor issue solutions
	Matching, risk control, and support in designing a personnel strategy
	Growth is expected in the transfer of client employees to UT Group (In-house Solution Service)
Business model: Infrastructure to create employment in Japan	
	UT’s business model target
	How to enhance the functions which will be the key for the infrastructure to create employment

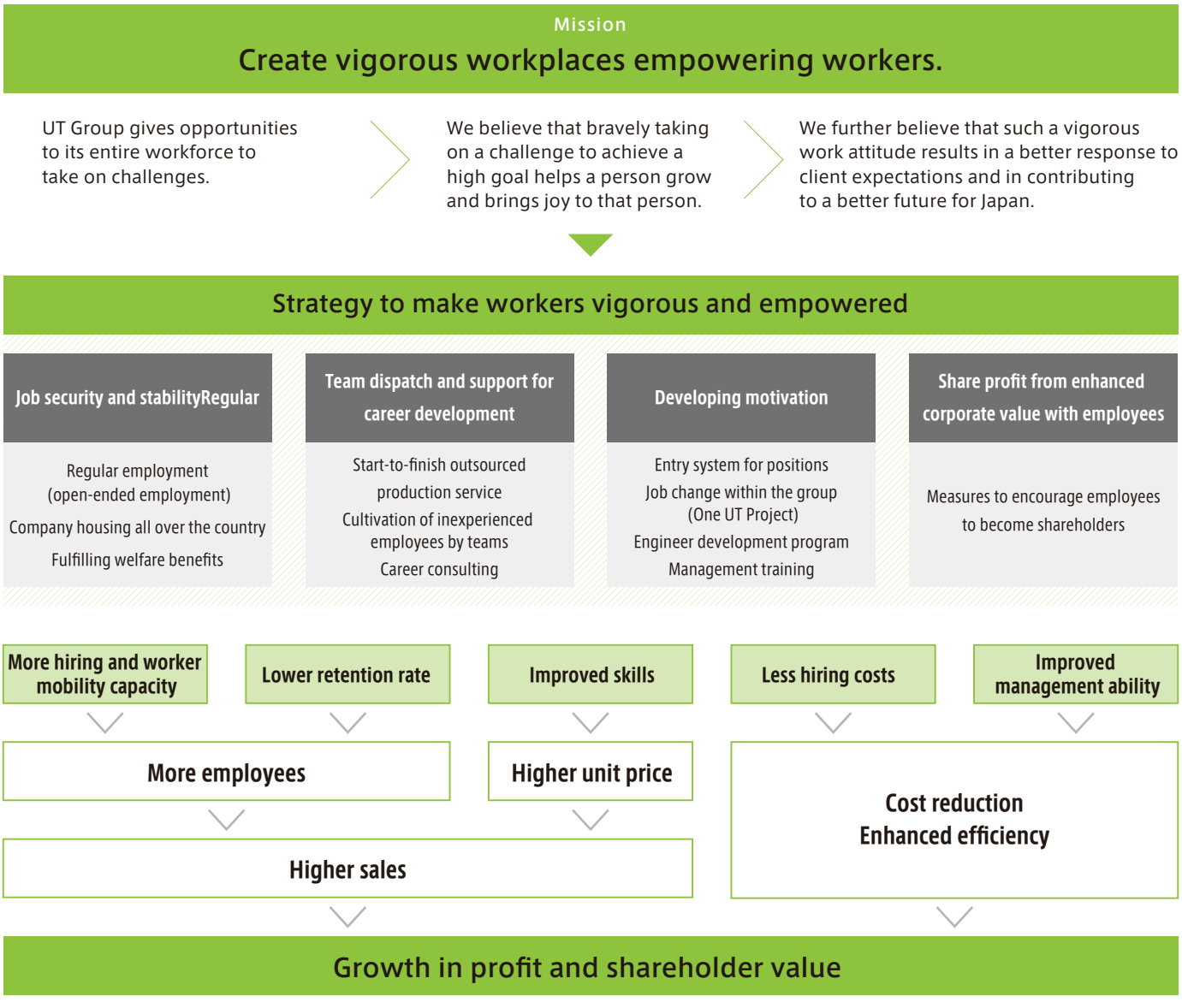
Copyright © UT Group Co., Ltd. All rights reserved.

Mission

“Create vigorous workplaces empowering workers”

People are the greatest resource in Japan, a country with limited natural resources. UT Group's mission is to “Create vigorous workplaces empowering workers” by offering people a workplace where they can shine. Specifically, we provide workers with opportunities to take on challenges and an environment to grow, by providing the best match between workers and companies. We strongly believe that this is our way to contribute to the future of Japan.
As specific strategies, we have promoted job security and stability, teamwork and support for career development, development of motivation, and sharing of profit from enhanced corporate value with employees. Through these strategies, a virtuous cycle has been created for long-term sustainable corporate value enhancement.

UT Group's mission, strategy, and value-creating cycle



Copyright © UT Group Co.,Ltd. All rights reserved.

Brandmark

UT Group's corporate brand, UT, means "Upward Together." It incorporates our desire to cooperate and grow together with our clients.
UT Group's brandmark was designed by using the silver ratio (1:√ 2 ≒ 1: 1.414), which has been used in antiquity for the architectural design of the famous Horyuji temple in Nara, for two letters, U and T. It is composed of green, representing vigorous workstyle, and black, representing service quality assurance. These well-balanced two letters represent teamwork and bonding of our people, while the graphic pattern composed of multiple images of the same mark stands for consistent growth of our people and business.

Brandmark



Copyright © UT Group Co.,Ltd. All rights reserved.

Vision

“Create jobs nationwide in Japan”

Japan is in the midst of a paradigm shift in its industrial and economic structures. The Japanese Monozukuri work front has dramatically changed as a result of the startup of the Internet of Things (IoT) and Industry 4.0 initiatives, while requirements for human resources are also changing from moment to moment in terms of quality and volume. In the meantime, the declining birth rate, the aging population, and the economic disparity between the haves and the have-nots have resulted in a significant supply/demand gap between regions and industries. Given such an environment, UT Group has declared its new vision to be “Create jobs nationwide in Japan.” As a part of the new social infrastructure, we will endeavor to respond better than ever to needs in human resources. Through such efforts, we will help create new jobs in various regions and develop human resources, thereby bringing new vitality to Japan’s labor market.

Expanding scale

The key to becoming bigger in the employment service industry is to achieve balanced growth both in the client base through aggressive sales activities and in the number of technical employees through enhanced hiring activities. Being able to ensure an attractive workplace makes hiring of valuable personnel easier, which then leads to a more attractive workplace. Our strategy to create such a virtuous cycle remains the same at present.
Our sales activities emphasize an increase in share of business within a client plant, as well as acquiring new clients. This is because as we provide a wide range of work performance, including higher value-added management services, as an organization, we can become an indispensable partner to clients and raise our profitability and job stability. As for hiring, we utilize our hiring capability across Japan and enhance the process of hiring. In addition to these initiatives, we will also promote alliances with middle-sized peers, and promote M&A activities, which should also contribute to our growth in scale.

Enhancing functions

In addition to a scheme facilitating employees’ acquisition of knowledge needed in their workplaces, UT Group has devised and implemented many schemes unique in the industry, including a program for employees doing manufacturing dispatch work to make a job change to work as construction engineers or IT engineers and a system to allow employees to put themselves up as candidates for managerial positions. In the new medium-term business plan, we are adding programs to enhance support for career formation or future opportunities of our individual employees.
We began an internal career partner certification scheme in April 2016. Certified managers give advice and provide consultation as needed to each employee in the same workplace. As of March 31, 2018, 475 managers have been certified. We will also focus on creating an environment that facilitates employees taking training courses, including e-learning. We also plan to expand educational content. As a part of this, we became the first Japanese company to sign a contract for a Training Partner Program with Siemens PLM Software Inc. This program aims at developing personnel in IoT-based manufacturing, or in the so-called 4th Industrial Revolution. We are hoping that this program will lead us to develop higher value-added personnel who can respond to requirements of the automotive and other manufacturing industries in keeping with change in those requirements.

Copyright © UT Group Co.,Ltd. All rights reserved.

Expanding scope

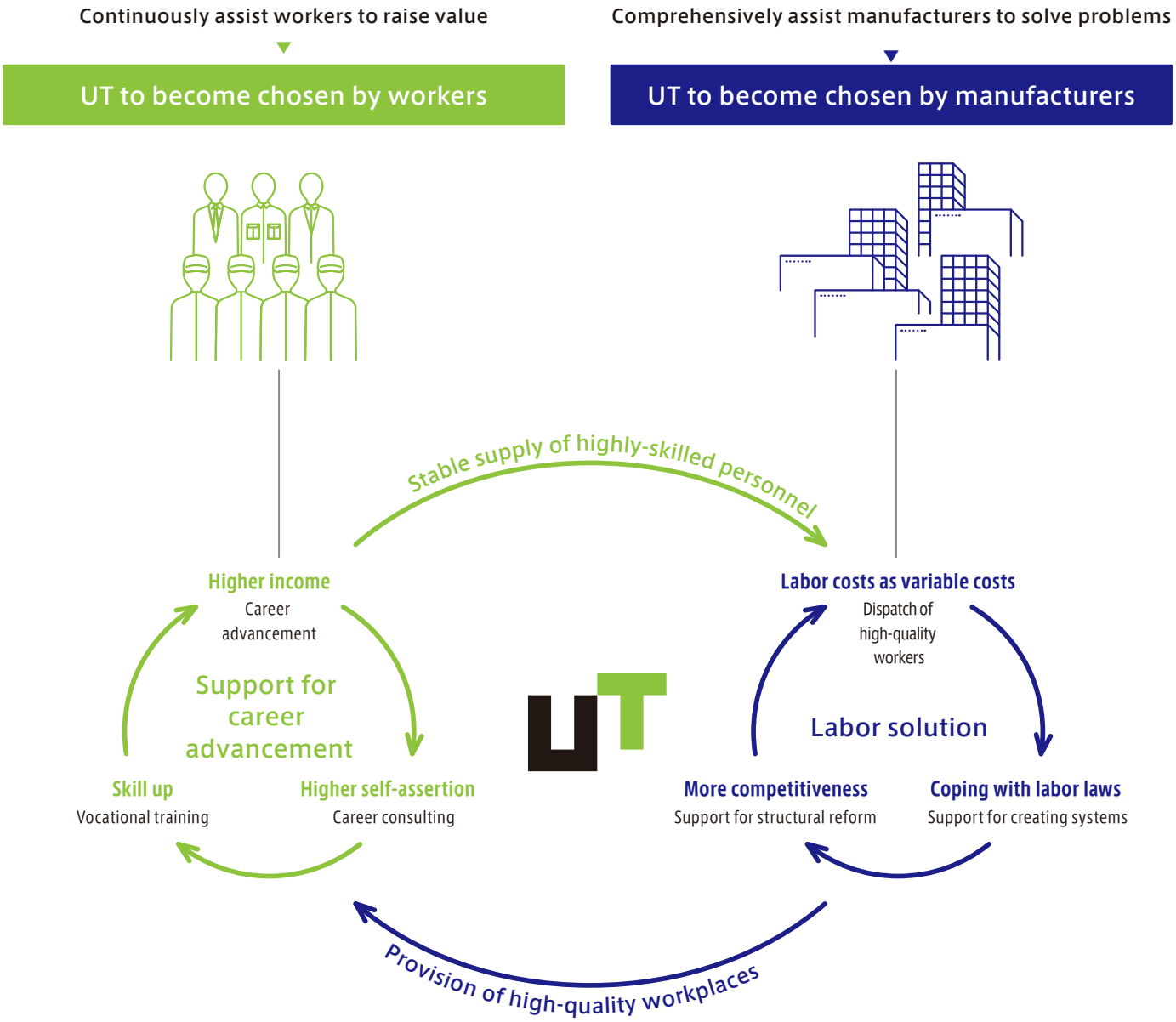
The medium-term business plan is concerned with opportunities to expand into new areas from various perspectives. An important perspective in this regard is diversification of manpower. In order to make domestic industries more vibrant in a country with a decline in working-age population along with aging of the population, we will strive to secure the needed manpower even in regions experiencing a sharp decrease in population. At the same time, we feel that the society as a whole should be more concerned than at present regarding performance of work by women, seniors, and persons from overseas, even considering the rising attention given to these matters.
UT Group has been exploring opportunities to launch overseas business, such as by employment of local staff needed for overseas expansion of Japanese companies (currently, mainly in Southeast Asia), or to employ non-Japanese staff to work in Japan. We also intend to take up the challenge of establishing arrangements to mobilize women and seniors. We believe that such initiatives can diversify our business and lead us to higher levels of capability to respond to the changing environment.

Copyright © UT Group Co.,Ltd. All rights reserved.

Twin Customer Strategy

UT Group is emphasizing its provision of value to job seekers and employees, as well as to clients. We thus aim at becoming a corporate group selected by persons seeking employment as well as by firms seeking employees. We call this a Twin Customer Strategy.

Twin Customer Strategy

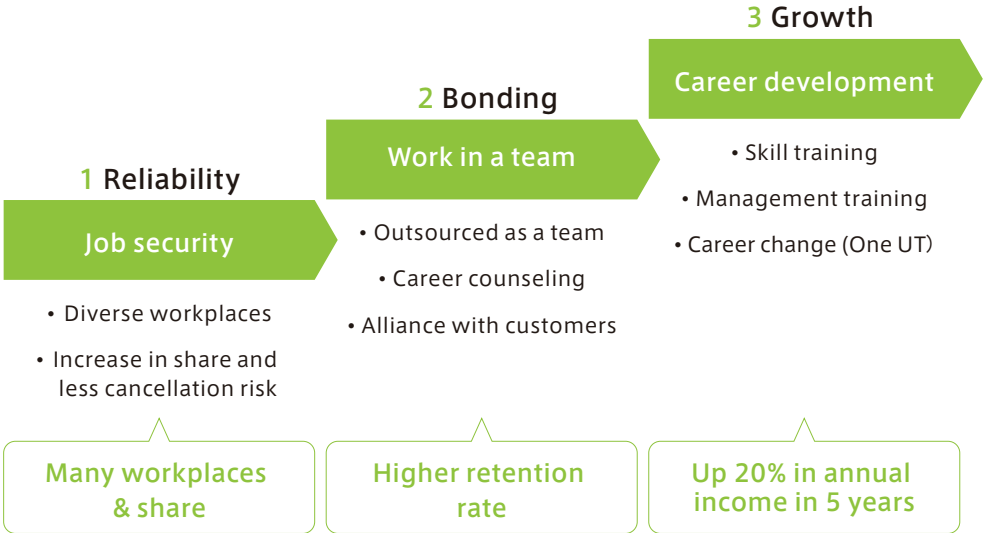


Copyright © UT Group Co.,Ltd. All rights reserved.

Three values provided to job seekers and employees:

We provide safety, bonding, and growth opportunities to job seekers and employees so as to be chosen by them. This is our way to contribute to the "dynamic engagement of all citizens" and "workstyle innovation," two slogans of importance to Japanese industry today. The three initiatives concerning safety, bonding, and growth are aimed at helping them determine their own careers and raise their overall value.

Safety, bonding and growth



Assisting employees to raise their value

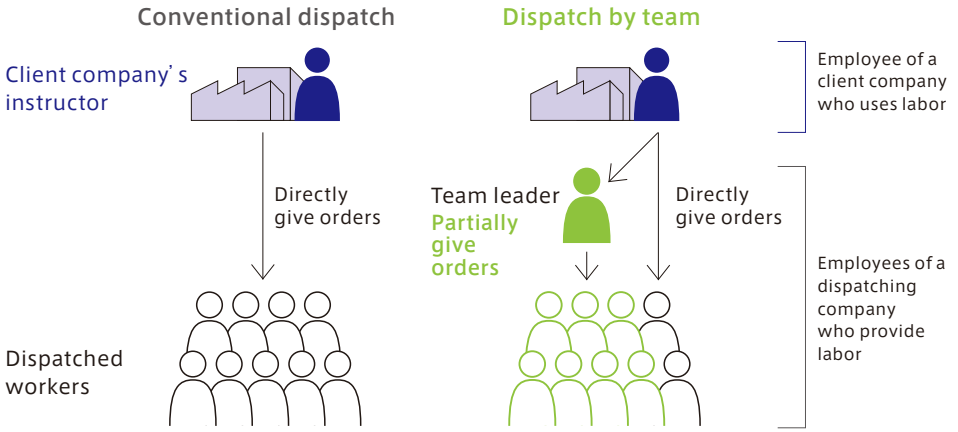
Career options	Vocational training
More career options in workplaces and work types	Training and education to raise motivation and value
Job change program out of nationwide workplaces and jobs	Career design training
Program to enable a transfer to engineers within the group (One UT)	Support of skill up and obtaining qualifications
System to assist transfer to client companies (Next UT)	Engineer development program
Entry System to managerial positions (UT Entry)	Leader/management training

Copyright © UT Group Co.,Ltd. All rights reserved.

Team dispatch to encourage bonding: promoting development of leadership and management skills for career advancement

Dispatching of units of teams is a unique feature of UT Group. In a conventional way, dispatched workers receive job-site direction from an employee of a client company. In case of our team dispatch, dispatched workers receive orders from a team leader, who is also an employee of UT Group. This means that the team members become bonded and their leaders can develop leadership and management skills to advance their career.

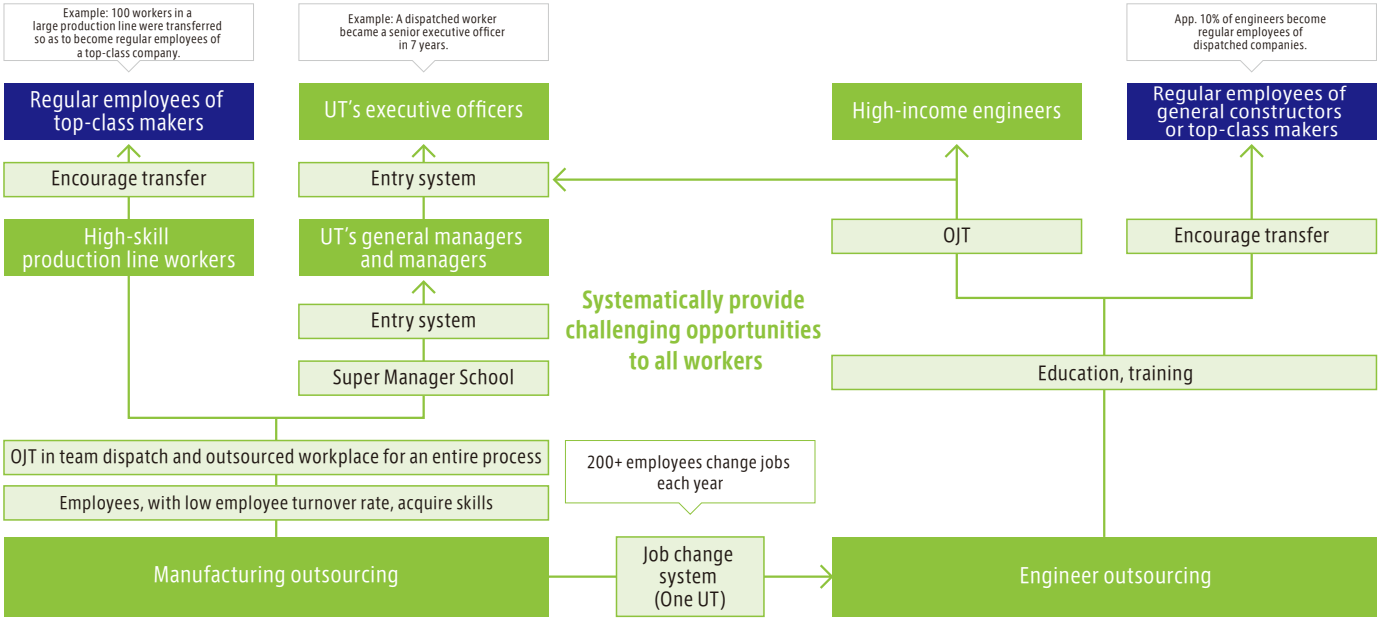
Comparison of conventional dispatch and team dispatch



Systematic career formation scheme

As shown below, our systematic career formation scheme has brought about a degree of noteworthy outcome, such as transfer of over two hundreds of our regular employees to a major client company per year, and promotion of our dispatched worker to a senior executive officer in seven years.

Systematic career formation scheme



Copyright © UT Group Co.,Ltd. All rights reserved.

Main career formation scheme

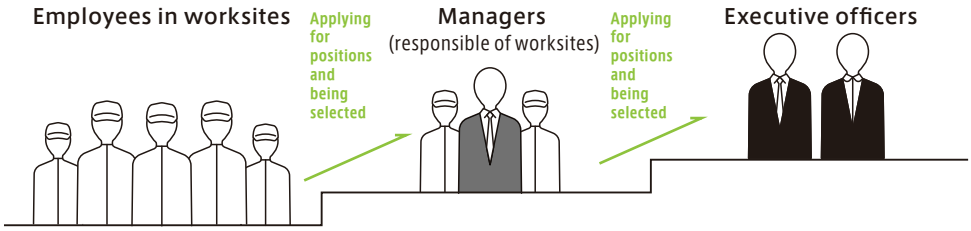
Major career formation programs include the following: Good Job Project that allows employees in the Manufacturing and Solution Businesses to pick their workplace; the aforementioned UT Entry System; One UT Project to assist career change of employees in the Manufacturing and Solution Businesses to the Engineering Business; and Next UT Project that enables transfer of employees into a client company.

Major career formation assisting programs

Employees to select a workplace **Good Job**	Employees in the manufacturing department can select their workplace
Promotion to executives **UT Entry**	Employees can apply to a different assignment, including an executive position
Career change **One UT**	Employees can transfer from the manufacturing business to the engineering business
Transfer to a client company **Next UT**	Employees can transfer to a client company as a regular employee

Outline of the UT Entry System

The UT Entry System is to encourage employees to take the initiative in applying for positions ("entry"). Among the applicants, UT decides who is to fill in the position upon screening and review.



Employees can apply for a manager or an executive position once a year. The UT Entry System is in its fifth year and there is a case that the 7th-year manufacturing dispatched worker became a senior executive officer.

Free programs available for employees to enhance their job skills

We have organized a wide range of programs to provide challenging opportunities to enhance skills to all of our employees.

One UT Project

The One UT Project supports career advancement of all UT Group employees. In a way it presents them with a new starting point toward the future. Training courses are available to learn basics, improve knowledge, and develop skills. They can take courses in fields outside their own and thereby prepare to their specialty or transfer to another Group company. By means of this program, around 100 manufacturing dispatch employees change their job each year. This means UT Group is better able to respond to ambitions of our employees and to help them become more value-added as persons.

Super Manager School

The Super Manager School provides practical training programs in order to develop the future top-level managers of UT Group. The objective is to develop personnel who understand corporate policy, think about how to contribute to it by themselves, and act without waiting to be instructed. Other desirable types of personnel include those personnel who can devise strategies for an operational goal, execute them, and achieve the desired result, and those who are always ready to take on a challenge for personal and corporate growth through work.

Copyright © UT Group Co.,Ltd. All rights reserved.

MTM Training

The MTM Training Program offers courses on management leadership. The themes include "Policy and personnel," "Organization management," "Compliance and safety," "Executive training," "Monozukuri management," and "Business management," all of which are required for executives in their workplace.

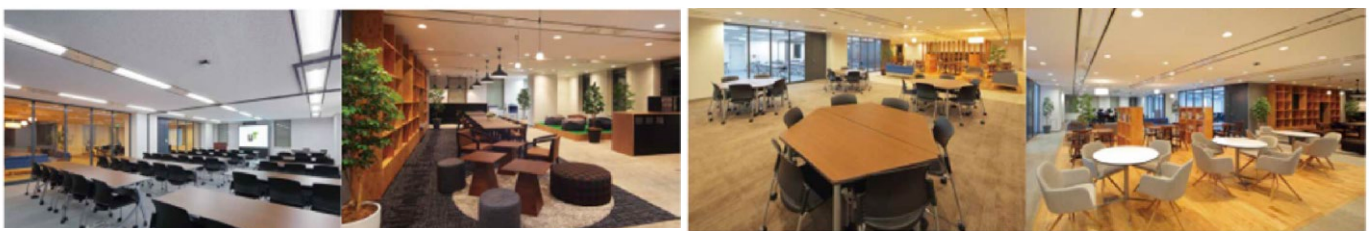
Equipment Maintenance Training

Equipment maintenance training has been introduced for the benefit of clients in the manufacturing industry. The ultimate objectives are to expand employment opportunities by fulfilling needs of clients and deepening the relationship with them; to develop more skillful employees and raise their salaries; to establish an environment for employees to build their career over the long run; and to support career-formation of employees, with attention given to the various possibilities that may arise, including transfers to major manufacturers.

UT Advanced Career Center (UTACC) for engineers

UT Group has recently been focusing on the Engineering Business in order to respond to needs of dispatched engineers who can do skillful work from day one in Monozukuri workplaces and to promote the One UT Project, which encourages career advancement of manufacturing operators to become engineers. Aiming for further expansion of the Engineering Business, UT Advanced Career Center (UTACC) was established near the head office of UT Group in Shinagawa-ku, Tokyo in January 2017.
At the UTACC, practical career training is offered to develop employees with no experience in engineering into engineers. From basic training to specialized training, participants are engaged in group works and are encouraged to help and compete with each other, in addition to obtaining knowledge. The courses are also intended to raise self-consciousness of the participants. Personal interviews with lecturers are available to avoid them participants feeling at a loss during the course.
The UTACC also offers training programs for experienced engineers for their career advancement. Noteworthy is a Product Lifecycle Management (PLM) software training course. PLM is an area of focus in recent years in Monozukuri workplaces. Having collaborated with Siemens, which is one of frontrunners in this field, UT Group has made its own software to be used in this course, looking ahead to the age of Industry 4.0, and is developing personnel who provide high added value and support Monozukuri.

UT Advanced Career Center (UTACC)



Copyright © UT Group Co.,Ltd. All rights reserved.

Outcome of UT career formation assistance

More and more employees are using our systematic career formation programs for personal development. Some employees increased their annual income and monthly rates of employees quitting companies have dropped, as shown below. An increase in annual income of employees led to enhance profitability, while a decline in monthly rates of employees quitting companies led to a decrease in hiring costs. Enhanced mobility of manpower and steady outcome are expected to help increase sales and improve profitability of UT Group.

Number of employees who used UT's programs

Employees to select a workplace: Good Job

	Applicants	Those approved
FY3/2017	62	25
FY3/2018	716	114

Promotion to executives: Entry System

FY3/2018	Applicants	Those approved	Those approved from UT's on-site work
Applicants	407 (Technical employees 369)	92	66
Executive officers	102	34	16

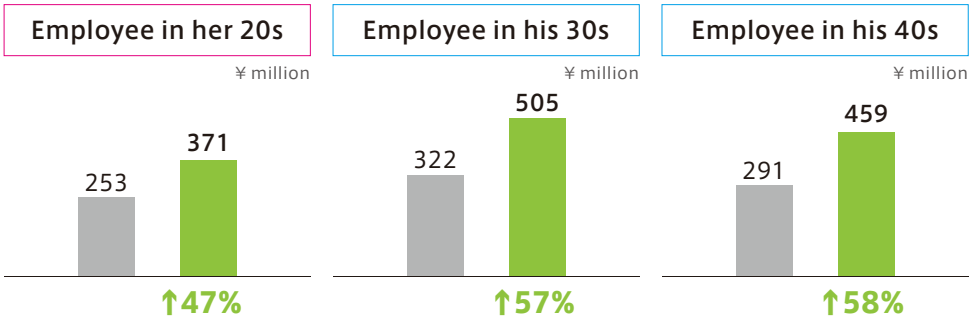
Career change: One UT

	Those approved
FY3/2018	268

Transfer to a client company: Next UT

	Those approved
FY3/2018	223

Examples of increase in annual income of employees



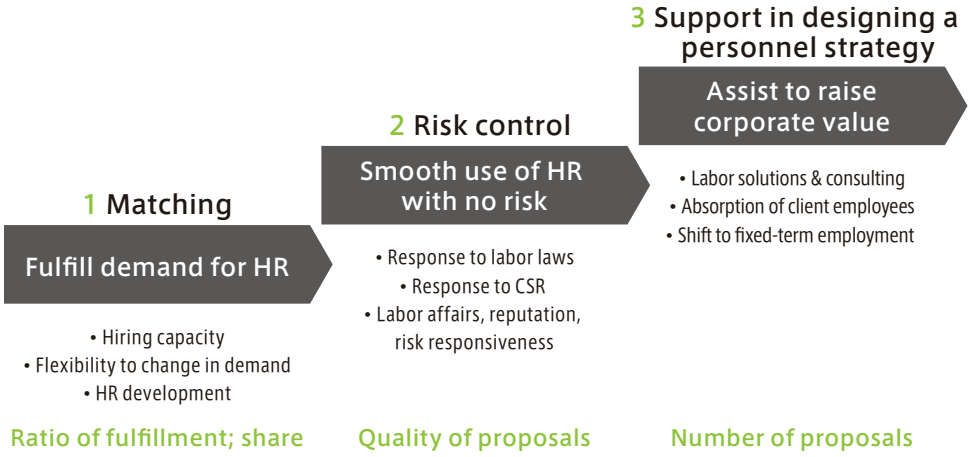
Theoretical annual income, assuming the same work hours before and after the transfer

Copyright © UT Group Co.,Ltd. All rights reserved.

Three value contributions provided to client companies as comprehensive labor issue solutions

We provide three sources of value, through matching, risk control, and support in designing a personnel strategy specifically for each client company. We aim to solve personnel/labor-related issues and at the same time help improve international competitiveness of Japan's manufacturing industry.

Matching, risk control, and support in designing a personnel strategy



At present we are seeing an increase in demand for comprehensive solutions. Companies in the midst of structural reform such as cost restructuring and disposal of non-core business lines tend to engender labor issues. We support those corporate clients by proposing transfer of their employees to UT Group or to temporary assignment outside the client group.
Concerning various labor policies, our accumulated know-how on stabilization of employment and improvement in employment conditions of non-regular employees can be utilized to support client companies.

Labor relations solution consulting

Structural reform	Labor policies
Cost restructuring Disposal of non-core business	Stabilization of employment and improvement in employment conditions of non-regular employees
Transfer of their employees to UT Group Temporary assignment outside the client group	Revised Labor Contract Law Revised Worker Dispatching Act Equal pay for equal work

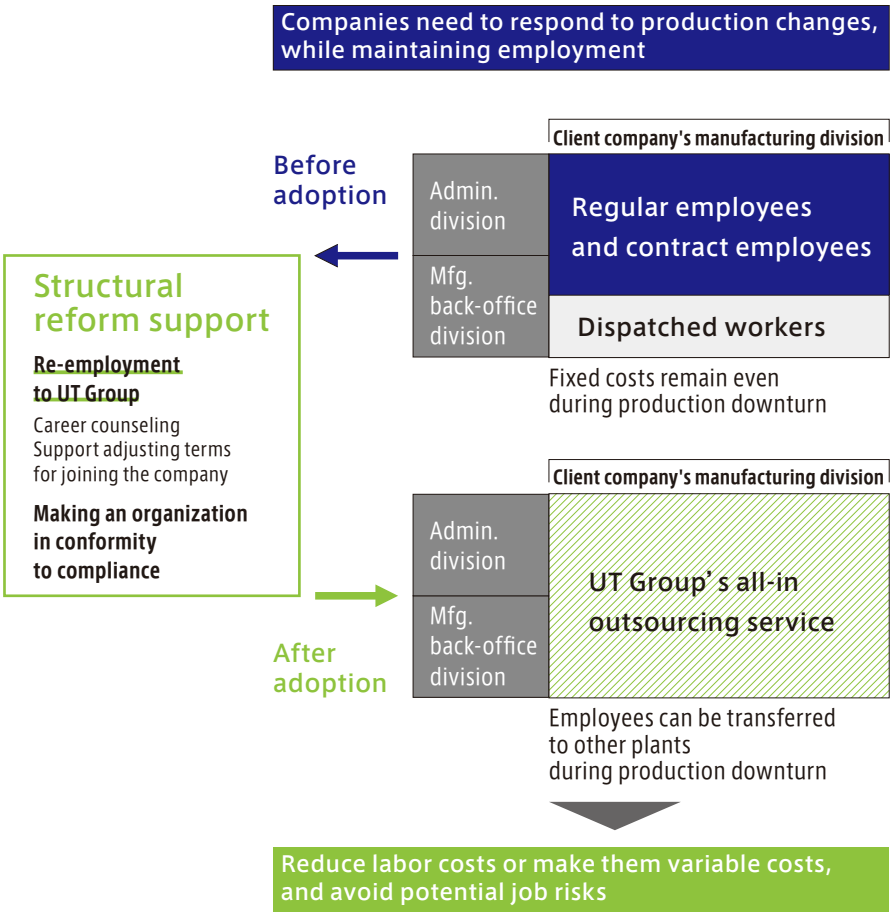
In consultation with each client company, we separate their manufacturing manpower into three categories and devise solutions for each one. The three categories are "Core personnel" (mainly regular employees), "Core-flow personnel" (highly-skillful non-regular employees), and "Flow personnel" (replaceable non-regular employees). While all of these categories have comprehensive needs, specific needs are expected to increase particularly in three areas: (1) In-house Solution Service, whereby we accept the client's regular employees as transferees to UT Group; (2) support to build a Job Grade system, which facilitates fair treatment of employees according to their skill and ability, based on the concept of "equal pay for equal work"; and (3) Foreign Technical Intern Trainee Services to combat the labor shortage. As we place our focus on career formation, our targets are to develop Japanese employees as the Core-flow personnel with higher growth potential, and to develop foreigners initially at an entry level to raise their skills in Japan as the Flow personnel for building their career-formation base.

Copyright © UT Group Co.,Ltd. All rights reserved.

Growth is expected in the transfer of client employees to UT Group (In-house Solution Service)

At many workplaces in Japan, regular employees, contracted employees, and dispatched workers from multiple dispatching companies are working together. This needs to be improved from the perspective of work efficiency and from the perspective of "equal pay for equal work." Corporations need to resolve the mixed situation and to respond to production changes while maintaining overall employment at an optimum level. We expect an increase in needs for our In-house Solution Service and expansion in the scale of those needs.
The orders received so far are for 100-300 employees, but in the future, we must anticipate receiving an order involving a thousand or more employees. As such a large order has not been incorporated in the medium-term business plan, this may become a factor for upward revision in earnings.

Schematic of transfer of client employees to UT Group (In-house Solution Service)



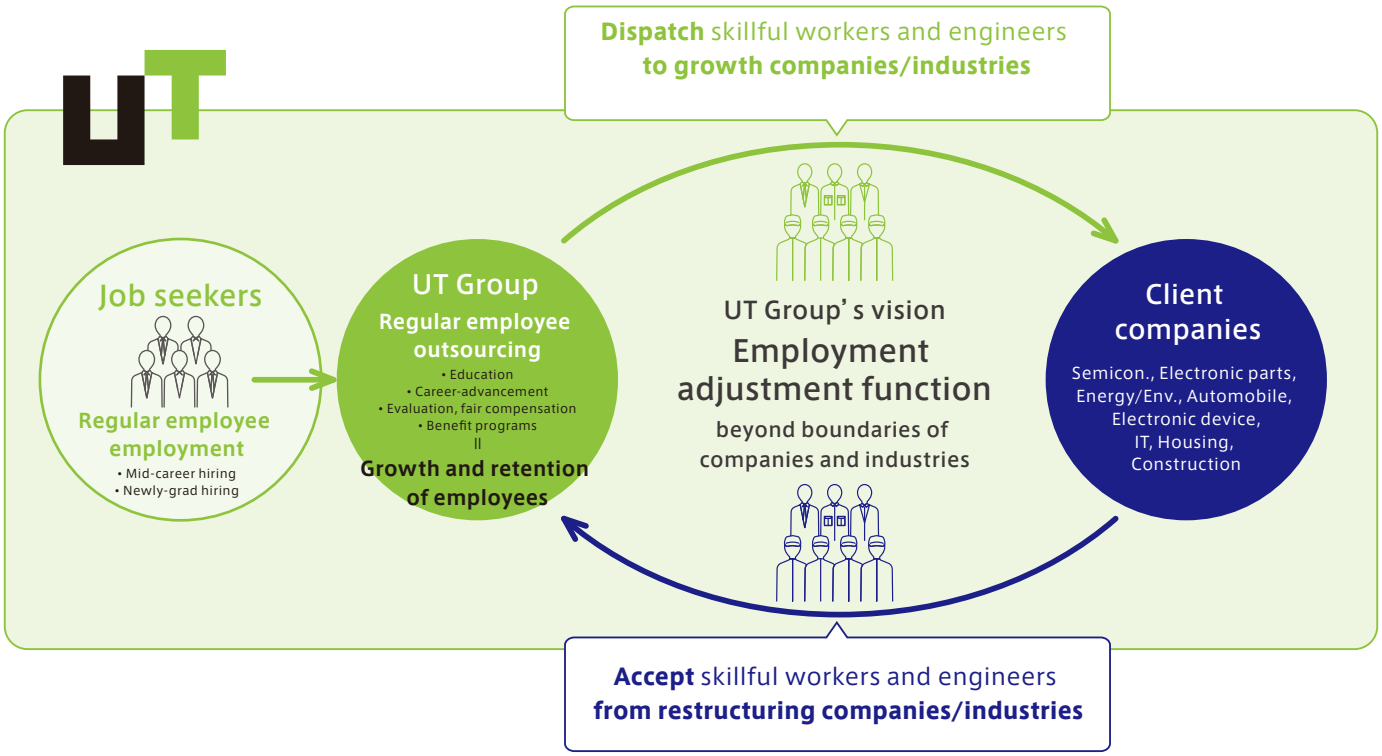
Copyright © UT Group Co.,Ltd. All rights reserved.

Business model: Infrastructure to create employment in Japan

UT's business model target

As a strategy to create value for our stakeholders, we aim at becoming "Infrastructure to create employment" by promoting our Twin Customer Strategy. Looking at the current situation and future direction in values provided to job applicants and client companies, both parties show steadily rising value. UT Group hires people as "open-ended (indefinite-term) employees," provide stable employment to those who do dispatch work, and consistently support their career formation so that they come to have greater value added. We thus provide high-quality employment services for the benefit of society as a whole. At the same time, we aim to play a role of an "employment adjustment function" by receiving employees transferred from other companies and industries in the course of restructuring and reassigning them to growth areas. The ultimate aim of our business model is to become an element of "employment creation infrastructure" that supports industry.

Twin Customer Strategy as a business model



Copyright © UT Group Co.,Ltd. All rights reserved.

By implementing the Twin Customer Strategy, we build a career platform, which greatly contributes to four elements of corporate value, namely, sales growth, profitability improvement, control of invested capital, and decrease in business risks.

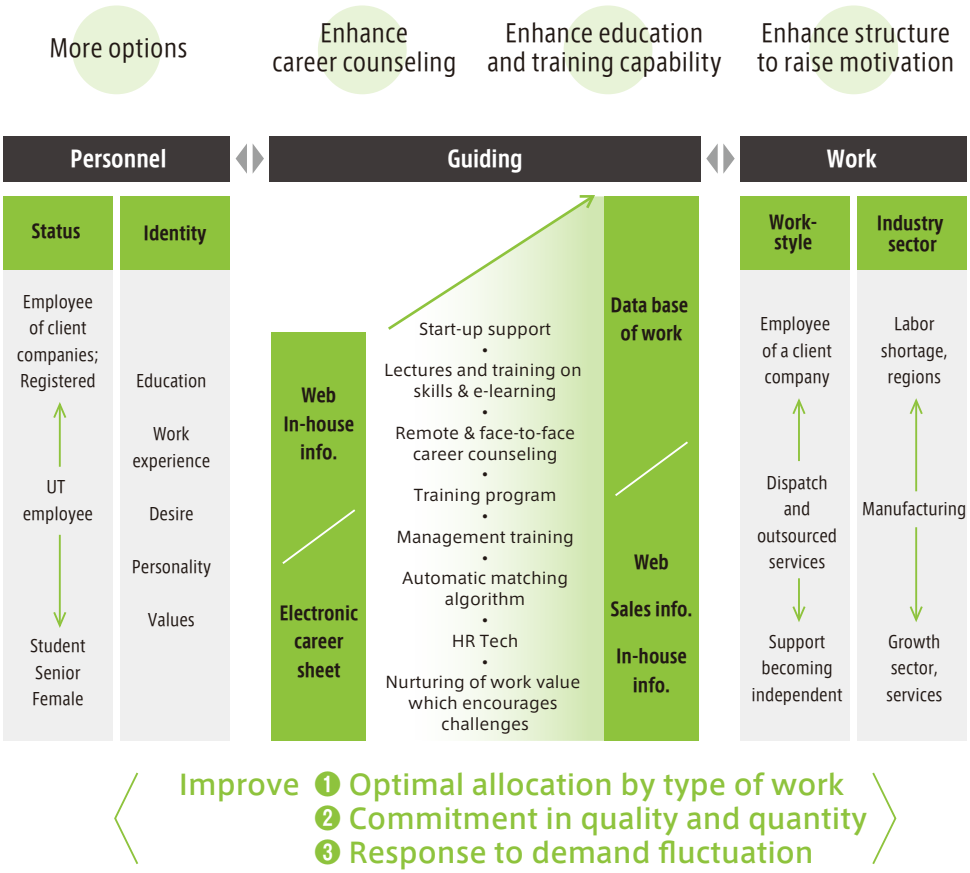
Employment creation infrastructure's impacts on corporate value

Elements of corporate value	How to enhance corporate value	Business model of employment adjustment infrastructure, using the Twin Customer Strategy
Sales	1 Achieving high sales growth	UT will enhance its hiring and mobility capacity and increase its sales to client companies.
Return on capital	2 Achieving high profit margin	UT will increase its number of workers associated with its platform and reduce its hiring cost.
	3 Capturing higher sales with less capital	UT will expand its business scale and reduce the ratio of invested capital to sales from 19% at present.
Business risks	4 Reducing business risks	UT will play a role of an "employment adjustment function" and reduce its business risks.

How to enhance the functions which will be the key for the infrastructure to create employment

Summarized below are the strategy directions to enhance functions, which will be the key for the infrastructure to create employment. We will expand functions to guide optimal matching, depending on characteristics of personnel and work, and comprehensively enhance the improvement of (1) optimal allocation by type of work; (2) commitment in quality and volume; and (3) response to fluctuations in demand.

Directions of strategy to enhance functions



Copyright © UT Group Co.,Ltd. All rights reserved.

5 Review of the Medium-term Business Plan up to FY3/2018

Significant growth was achieved toward becoming the No. 1 Monozukuri staffing company

- Open-ended employment, a strength of UT Group, is a great competitive advantage
- "Committed orders" created a virtuous cycle to accelerate expansion in scale
- Accelerating consolidation into major dispatching companies

Twin Customer Strategy to be enhanced

Increasingly confident to achieve FY3/2021 business plan targets, with upside potential

- Anticipating full impact of labor regulation changes (boosting demand for dispatched workers with open-ended employment

All three business segments posted high growth in FY3/2018

- Manufacturing Business
- Solution Business
- Engineering Business

Copyright © UT Group Co., Ltd. All rights reserved.

Significant growth was achieved toward becoming the No. 1 Monozukuri staffing company

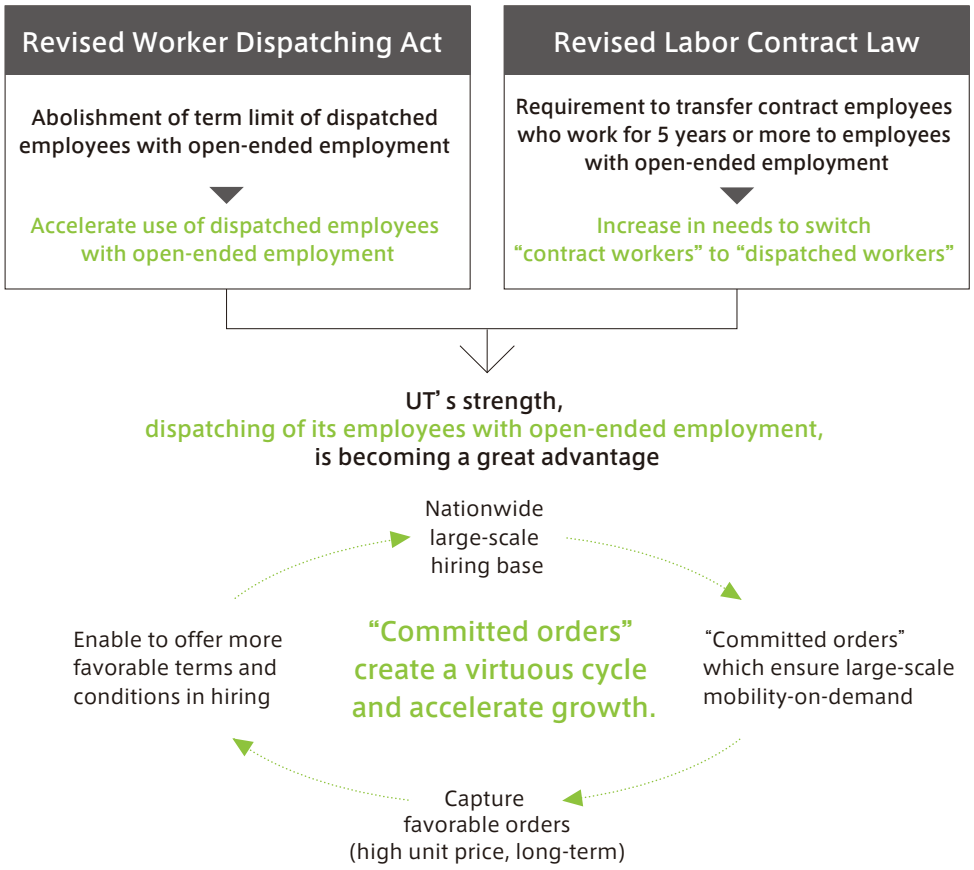
Open-ended employment, a strength of UT Group, is a great competitive advantage

In promoting the medium-term business plan, a strong tailwind to UT Group is revisions in labor-related laws, aimed at enhancing the protection of the rights of workers and realizing sustainable economic growth. The Revised Worker Dispatching Act enacted in 2015 enhanced regulations on dispatching companies while abolished term limits for dispatched workers with open-ended employment. In addition, under the Revised Labor Contract Law of 2013, fixed-term contract workers with contract periods of over five years in total are required to convert their employment contract to an employment contract without a definite period. These revisions have prompted companies to replace contract workers with dispatched workers in order to comply with laws and regulations and to avoid an increase in costs. Due to the revision of these two laws, needs for staffing with employees with open-ended employment of dispatching companies, an area that UT Group is a forerunner in the industry, have been expanding in Japan.

"Committed orders" created a virtuous cycle to accelerate expansion in scale

In order to respond to such growing demand, UT Group has enhanced hiring capability nationwide and has established a base for hiring as many as 1,000 employees every month. "Committed orders" that guarantee a large number of personnel are UT Group's competitive strength, which has enabled us to acquire high-unit-price, long-term contracts, satisfying large-scale corporate manpower needs. We have established a virtuous cycle: obtain favorable contracts → enable to offer better terms and conditions to potential employees → hire better talent even in the midst of rising jobs-to-applicants ratios → receive more contracts. This virtuous cycle has led to our high growth.

Increase in needs for regular employee dispatch, due to regulatory revisions

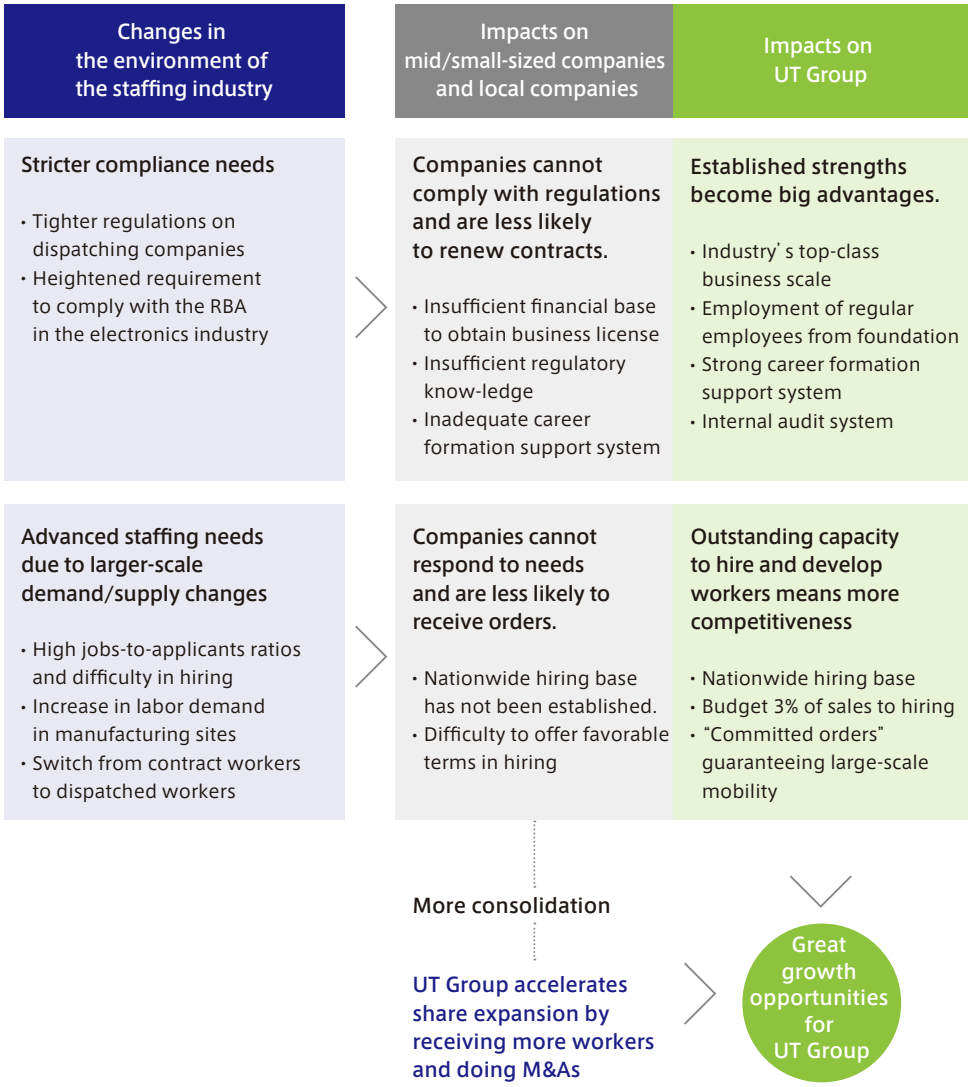


Copyright © UT Group Co.,Ltd. All rights reserved.

Accelerating consolidation into major dispatching companies

Another aspect of the Revised Worker Dispatching Act is enhanced regulation of dispatching companies. The latest revision has focused on improving the environment for dispatched workers, which means that dispatching companies are required to provide stable employment and career advancement opportunities for these workers. Dispatching companies are also obliged to obtain a license instead of just filing a notification of doing certain business. Moreover, the electronic component industry, one of our major client industries, is required to comply with the RBA[2] and other international standards that protect rights of workers. Major dispatching companies, that have the scale and know-how to respond to such regulations, tend to be increasingly favored and selected. Another advantage of large-scale dispatching companies is mobility-on-demand, as workers are needed by plants all over Japan which is now in the midst of a labor shortage, as evidenced by the rising jobs-to-applicants ratio and other information.

2 The Responsible Business Alliance (RBA) is a common code of conduct founded in 2004 by a group of leading electronics companies such as HP, IBM, and Dell. This is a standard for not only manufacturers of finished products but for the entire supply chain, including suppliers of materials and components, to act responsibly to CSR challenges such as rights of workers, safety of the work environment, and environmental burden of manufacturing processes, and support of continuous improvement in the social, environmental and ethical responsibility of their supply chains. In recent years, a major electronics component maker in China caused a problem related to violation of rights of workers, and Apple Inc., which sourced component from the Chinese maker, was pursued of social responsibility. This has prompted Apple to enhance requirements for Japanese suppliers to comply with the RBA. In fact, Apple has increased a number of auditing of the plants of their suppliers in Japan. There may be a risk of losing their contracts for suppliers who cannot properly meet the requirement.



Mechanism of accelerating consolidation to major companies

Copyright © UT Group Co.,Ltd. All rights reserved.

Twin Customer Strategy to be enhanced

The Twin Customer Strategy is intended to increase "committed orders" and attain growth through consolidation to major companies, with the aim of a significant growth in sales. We are implementing the following measures to enhance the strategy and accelerate growth.

Enhancement of the Twin Customer Strategy

Enhanced Twin Customer Strategy

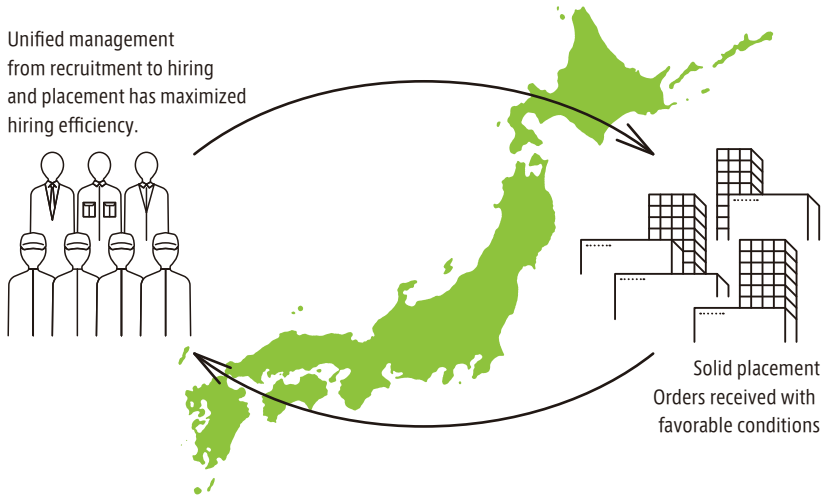
UT Group to be chosen by workers	UT Group to be chosen by manufacturing companies
Enhanced career platform	**Enhanced labor solutions**
Increase good workplaces • Exploit appropriate workplaces for team dispatch • Develop the safe, reliable working environment **Raise value of workers** • Career consulting programs • Strong vocational training programs • More referrals to client companies	**Enhance capacity to meet large-scale demand** • Nationwide hiring of 1,000 workers per month **Exploit low-unit-price domains** • Proposals to use foreign workers **Capture needs for labor structural reforms** • Enhanced in-house solutions
Expansion of a business to dispatch engineers	
Higher transfer by transfer from the manufacturing dispatch business within the group	Enhanced development program, aiming at boosting supply capacity of engineers
Provide safety, bonding, and growth to workers	Contribute to enhance competitiveness of manufacturing companies

We have concentrated our hiring function for all over Japan at the headquarters since 2016. This has also created a virtuous cycle: Enhanced hiring efficiency allows us to commit the number of workers and manage the dispatch timing to clients -- and to receive orders with favorable conditions, leading to create attractive workplaces and generate more demand for hiring.

Positive impacts from centrally hiring employees, to be dispatched nationwide

Virtuous cycle of hiring and sales

UT Group's hiring function for all over Japan has been concentrated at the headquarters since 2016.

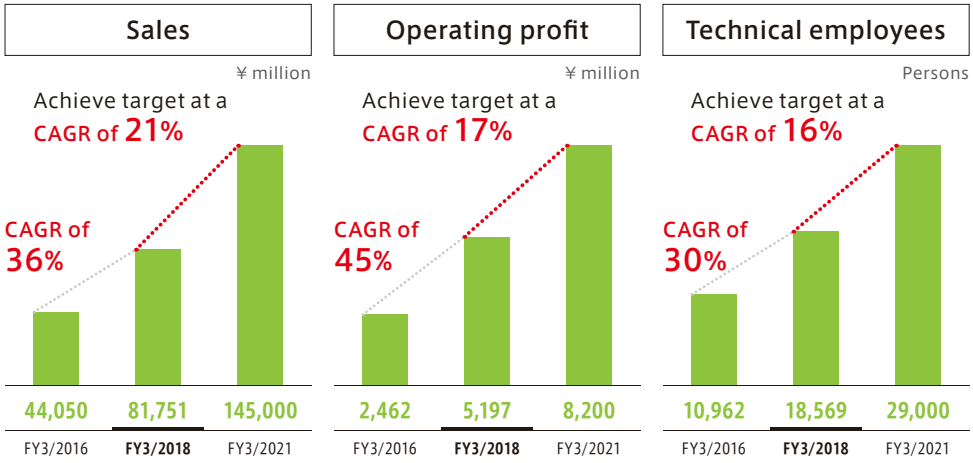


Commit the number of works and the dispatch timing and received orders with favorable conditions.

Copyright © UT Group Co.,Ltd. All rights reserved.

Increasingly confident to achieve FY3/2021 business plan targets, with upside potential

By taking the above measures, UT Group's compounded annual growth rates (CAGR) of the past two years are 36% in sales, 45% in operating profit, and 30% in the number of technical employees. The profit growth rate was higher than the sales growth rate due to a decline in the rate of employees quitting UT Group and the resultant lower hiring costs, orders with more favorable terms, an increase in unit price because of career advancement, enhanced profitability by an increase in the number of dispatched employees per plant, and an improved efficiency in hiring by centralized hiring at the head office. The strong growth rates of the past two years suggest that UT Group should be able to achieve the numerical targets for FY3/2021, even growth rates over the next three years drop significantly.



Copyright © UT Group Co.,Ltd. All rights reserved.

Anticipating full impact of labor regulation changes (boosting demand for dispatched workers with open-ended employment

In addition to our growth track record, another factor which makes us confident in achieving growth of about 20% is impact of labor regulation changes boosting demand for dispatched workers with open-ended employment by a dispatching company. This impact is expected to begin in earnest in 2018. As shown below, the needs for such worker dispatch will increase and client companies will become more selective of dispatching companies. In addition, an effect of the Revised Labor Contracts Act is expected to be an increase in needs for solutions in structural reform of company workforces. One way that those employers will deal with this need will be for a client company to make fixed-term contract workers of a certain department regular employees and, in administrative organizational terms transfer that department to UT Group's Solution Business segment.

All recent labor regulatory changes become effective, further boosting demand for dispatched workers with open-ended employment

Important labor-related regulatory changes in 2018

April 2018: Revised Labor Contract Law

The Law enforced in April 2013 stipulates that fixed-term (5 years or more) contract workers can ask the contract company to switch them into open-ended employment from April 2018.

Increase in switching of contract workers to dispatched workers with open-ended employment

Increase in needs for solutions for labor structural reforms

October 2018: Revised Worker Dispatching Act

According to the Act enforced at the end of September 2015, many dispatched workers who are assigned for the same department of the same company for over 3 years are expected to be employed directly by a client company or by a dispatching company from October 2018.

Increase in switching of contract workers to dispatched workers with open-ended employment

Accelerated shakeout of dispatching companies which cannot cope with the change

Positive for UT Group which has strength in dispatching workers with open-ended employment and solutions for labor structural reforms

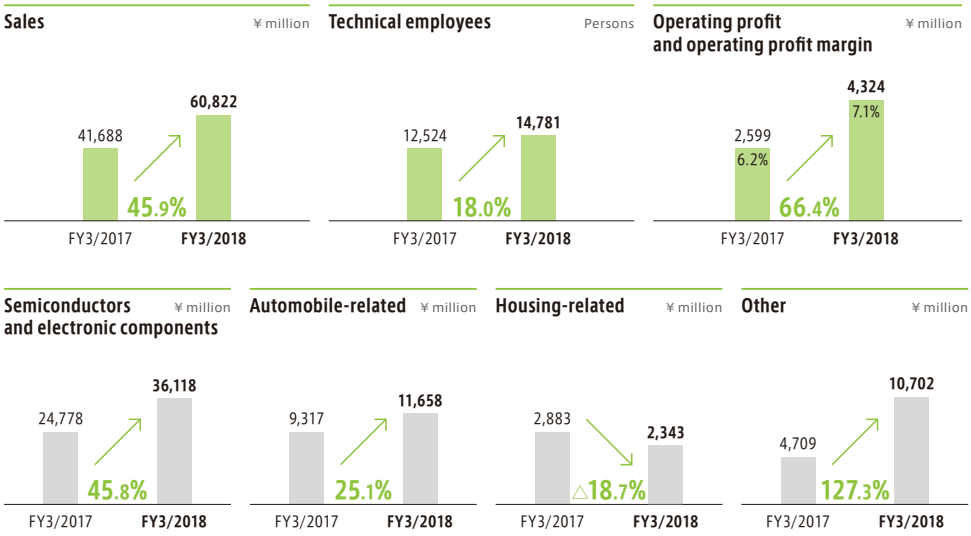
Copyright © UT Group Co.,Ltd. All rights reserved.

All three business segments posted high growth in FY3/2018

Manufacturing Business

Demand was robust mainly in the semiconductor and electronic components industries. Moreover, there was particularly marked growth in automotive-related demand as UT Group received its first order from an automaker, on top of existing orders from component makers and manufacturing subsidiaries. The number of technical employees increased by 18% year-on-year and high-unit-price orders raised sales per person. As a result, the segment increased sales by 46% and operating profit by 66%.

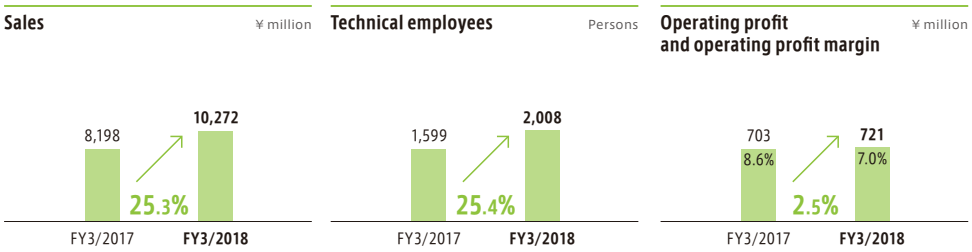
FY3/2018 results



Solution Business

Sales to Panasonic was firm, while business with the Hitachi Group began. Segment sales, profit, and the number of technical employees increased steadily.

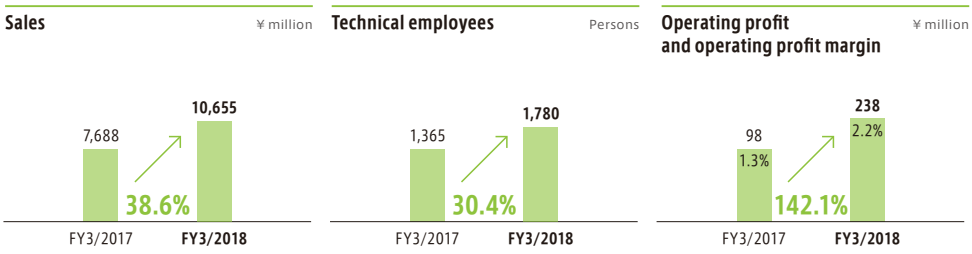
FY3/2018 results



Engineering Business

Arrangements to develop engineers were enhanced, which resulted in significant growth in the number of employees and improvement in sales and profit.

FY3/2018 results



Copyright © UT Group Co.,Ltd. All rights reserved.

6 Competitive environment

External market environment:
the number of dispatched workers in production processes is rising

Increasing importance
of domestic manufacturing bases

Competitive environment	Manufacturing Business and Solution Business: No.1 in scale and growth
	Engineer outsourcing business: Top 10 in scale and No. 1 in growth

The wave of consolidation that hit dispatch business in the office work area is now hitting the manufacturing work area

Develop human resources needed in the 4th Industrial Revolution and aim at long-term dynamic growth

Copyright © UT Group Co., Ltd. All rights reserved.

External market environment:

the number of dispatched workers in production processes is rising

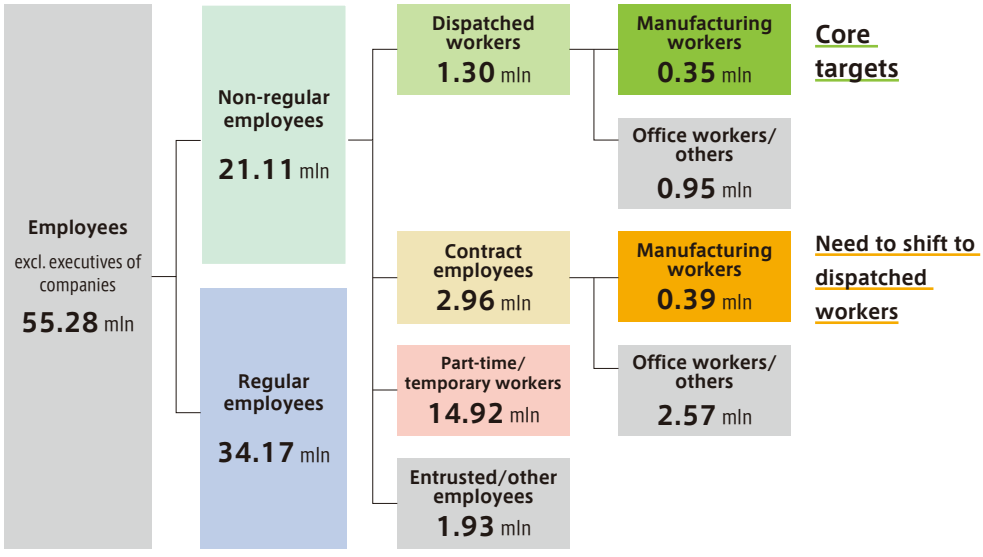
The labor market in Japan can be classified by ❶ direct or indirect employment, ❷ contract terms, and ❸ applicable regulations. UT Group's target areas are ❶ direct employment, ❷ open-ended employment, and ❸ subject to the Worker Dispatching Act. According to data from the Ministry of Internal Affairs and Communications, there are 350,000 dispatched workers engaged in production processes as of the end of March 2018.

Labor market types of employment and UT Group's targeted dispatched worker segment

Classification				❷ Contract term		❸ Applicable laws
❶ Direct and indirect	Direct	Regular	Regular employees	Open-ended Employment contract		Labor laws, in general
		Non-regular	Part-timers	Fixed-term Employment contract		Part-Time Employment Act
			Contract workers	Fixed-term Employment contract		Labor Contract Act
	Indirect		Dispatched workers	Fixed-term Dispatching contract	Fixed-term or Open-ended Dispatching contract	Worker Dispatching Act
				Fixed-term Dispatching contract	Open-ended Employment contract with a dispatching company	

↑ UT Group's strategic target and strong area

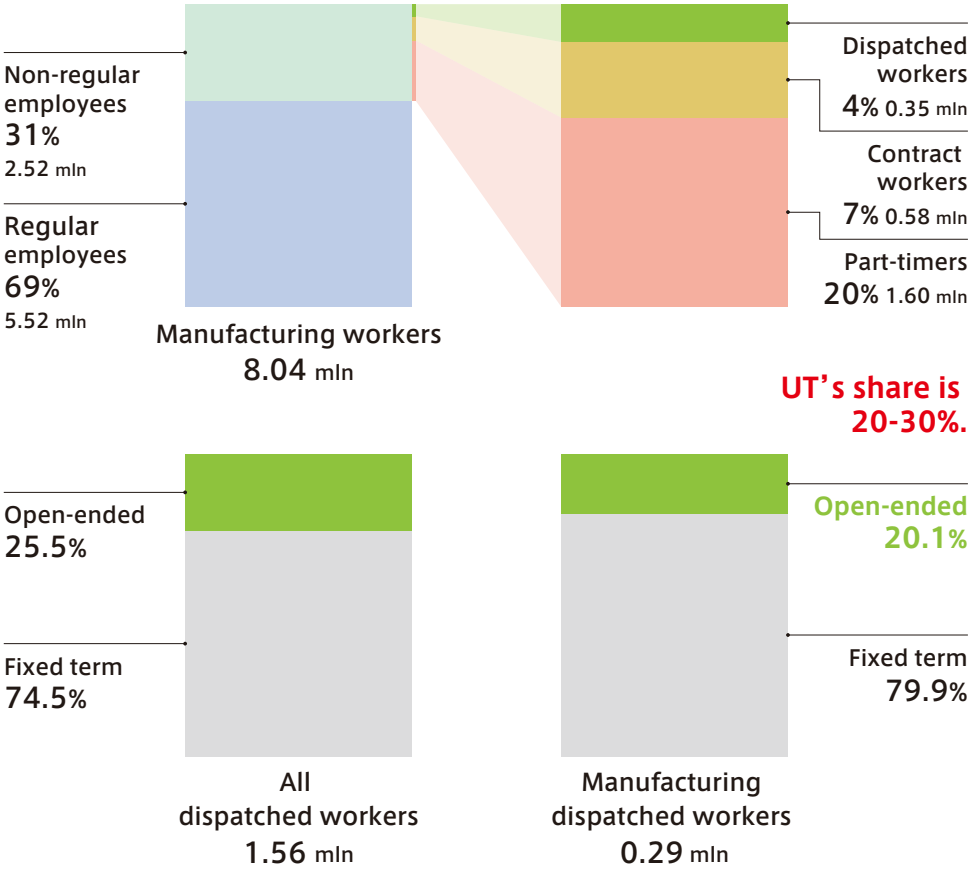
Japan's labor market and UT Group's targeted segment of dispatched workers



Copyright © UT Group Co.,Ltd. All rights reserved.

According to the annual data by the Ministry of Health, Labour and Welfare, 290,000 dispatched workers are engaged in production processes with 20.1% of them, or about 60,000 dispatched workers, being under open-ended employment. This suggests that UT Group's share in this segment is 20-30% and its share of the overall dispatched workers in the manufacturing industry is around 5%.

Dispatched workers in production processes and in overall manufacturing

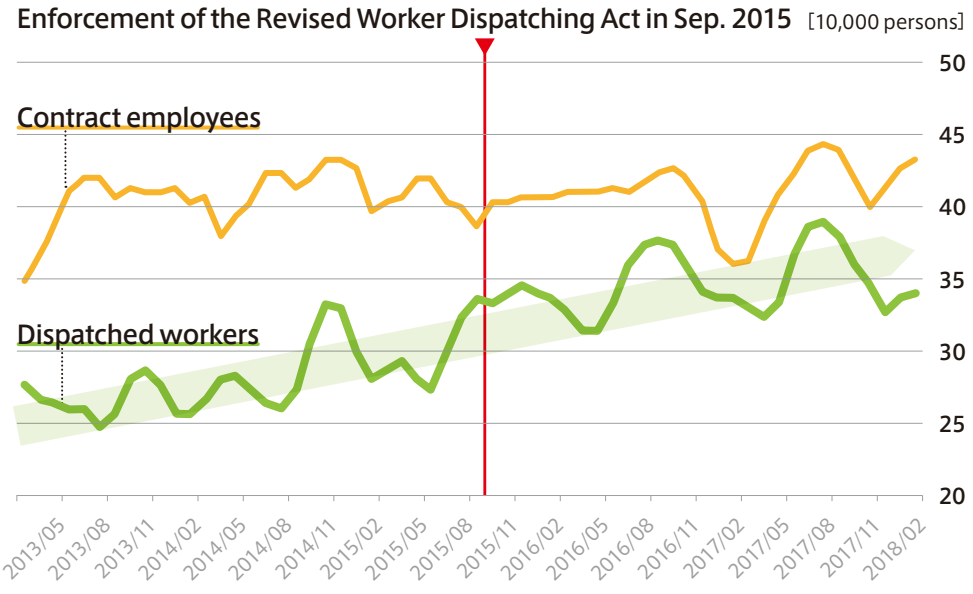


[As of March 31, 2018; 10,000 persons]
Source: Labor Force Survey by the Ministry of Internal Affairs and Communications; Contract workers include 1.95 mln entrusted/other employees

Source: Status of dispatched workers as of June 1, 2017; Ministry of Health, Labour and Welfare

Since around December 2015, when the Revised Worker Dispatching Act was enacted and dispatched workers with open-ended employment became relatively favorably treated, the ratio of dispatched workers in production processes has been rising, compared to the number of contract employees.

Contract employees and dispatched workers in manufacturing processing



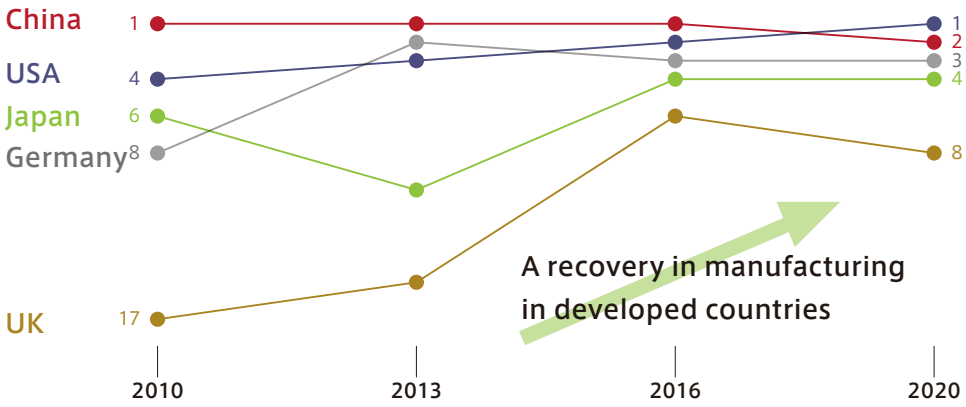
Source: Labor Force Survey by the Ministry of Internal Affairs and Communications; contract workers not including part-timers; three-month moving average

Copyright © UT Group Co.,Ltd. All rights reserved.

Increasing importance of domestic manufacturing bases

According to Deloitte's Global CEO Survey, developed countries' relative competitive advantages as manufacturing bases have been rising. Looking ahead, companies in developed countries are likely to become more advantageous due to a shift into high value-added cutting-edge manufacturing. As manufacturing industry increasingly applies more advanced and sophisticated product and process technologies and materials, traditional manufacturing powerhouses of the 20th century (i.e. the United States, Germany, Japan, and the United Kingdom) have been moving back toward the very top of the 10 most competitive nations in 2016 and are expected to remain on the top tier in the future.

Rank in Global CEO Survey manufacturing competitiveness index and future outlook

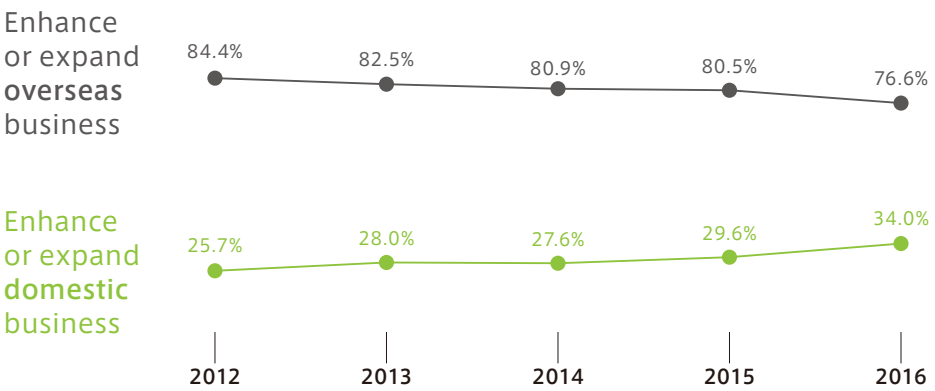


2016 Global Manufacturing Competitiveness Index

Source: Deloitte's 2016 Global Manufacturing Competitiveness Indices

In line with such a trend, while Japanese manufacturers continue to emphasize overseas bases, domestic manufacturing bases are increasing in importance, in relative terms. According to the survey by the Japan Bank for International Cooperation, the ratio of companies which responded that they were intent on enhancing or expanding overseas business in the medium term was 76.6% in 2016. This was the first time that the ratio fell below 80% since 2009, right after the global financial crisis, when the ratio fell to 65.8%. In contrast, the ratio of companies which responded that they intended to enhance or expand domestic business exceeded 30% for the first time in six years. This is a positive underlining trend for UT Group.

Japanese companies are shifting to focus on domestic businesses



Source: Japan Bank for International Cooperation Survey: Outlook for Japanese Foreign Direct Investment (28th Annual Survey),

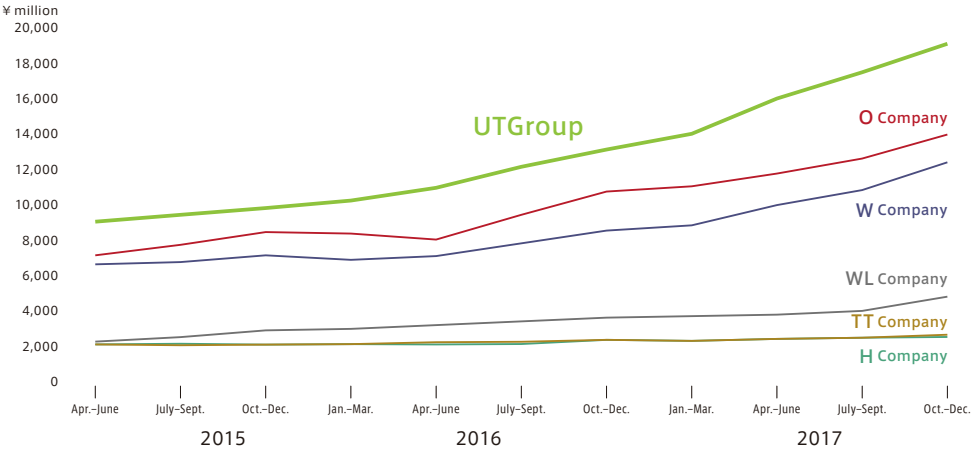
Copyright © UT Group Co.,Ltd. All rights reserved.

Competitive environment

Manufacturing Business and Solution Business: No.1 in scale and growth

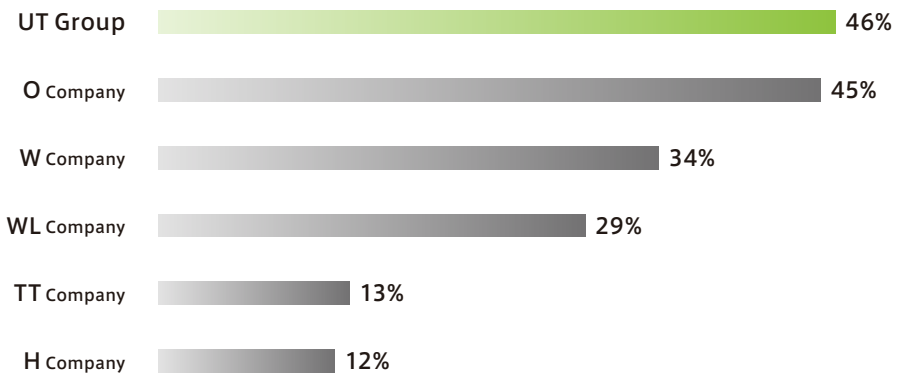
In order to show the relative positioning of UT Group in the combined sales of the Manufacturing Business and Solution Business, the recent manufacturing dispatching sales trend for major listed companies and their y-o-y sales growth rate for the October-December quarter of 2017 are shown below. These graphs indicate that UT Group has achieved the largest sales and the fastest growth among the listed companies in each business, proving how favorable the competitive environment has been for us. This means that the business environment is favorable for UT Group, as it is realizing stronger growth than its peers, although we have been raising the unit price to clients.

Major listed companies compared: sales of domestic manufacturing and dispatch business



Source: Financial statement of each company

Major listed companies compared: sales growth for domestic manufacturing dispatch business (Oct.-Dec. 2017, y-o-y)



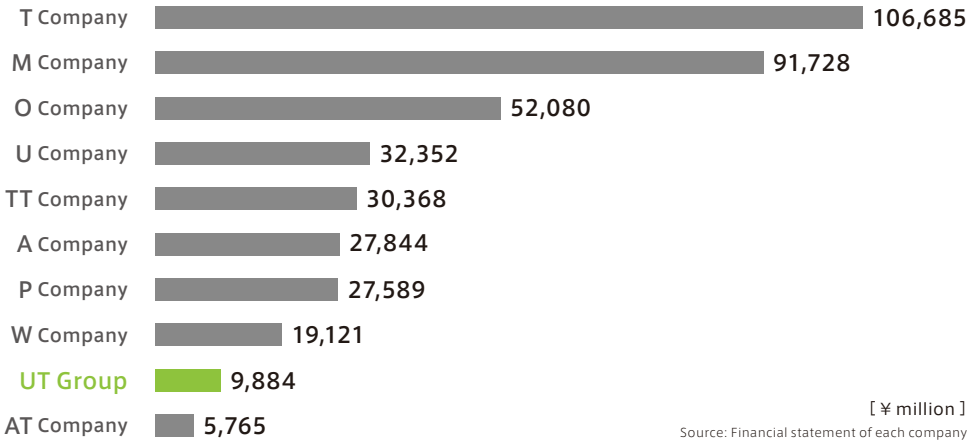
Source: Financial statement of each company

Copyright © UT Group Co.,Ltd. All rights reserved.

Engineer outsourcing business: Top 10 in scale and No. 1 in growth

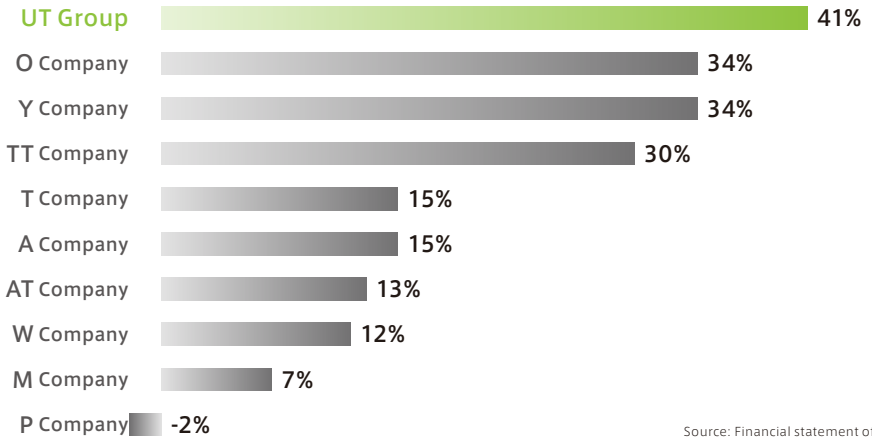
Concerning the engineer outsourcing business in Japan, the major listed companies' sales for the most recent year and y-o-y sales growth for the October-December quarter of 2016 are shown below. These graphs show that UT Group is included among the top dozen companies and is at the highest level in terms of growth rate.

Major listed companies compared: sales for domestic engineer dispatch business (four quarters up to December 2017)



[¥ million]
Source: Financial statement of each company

Major listed companies compared: sales growth for domestic engineer dispatch business (Oct.-Dec. 2016, y-o-y)



Source: Financial statement of each company

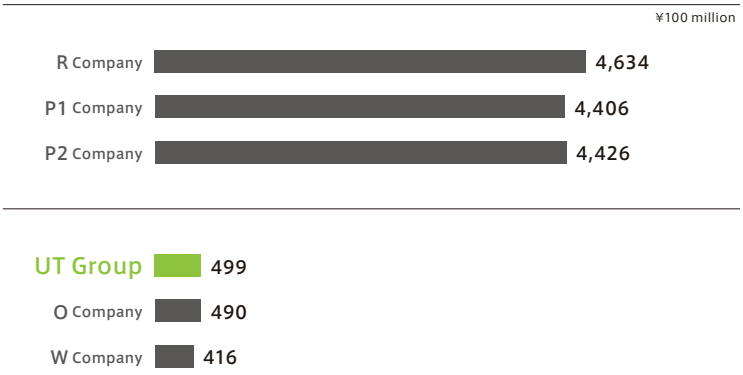
The engineer outsourcing business is facing a chronic shortage in manpower and is at the phase of being able to grow in sales only if the worker-supplying companies can hire more personnel. Unlike the manufacturing outsourcing business, important competitive advantages for the engineer outsourcing business lie in the capability to hire and develop personnel, rather than the scale of business. We believe we can be competitive if we use our strength and help our manufacturing dispatched workers to become engineers to be outsourced.
Some engineers, transferred from manufacturing dispatch operators, have increased their annual earnings by close to 45%. By accelerating such moves, we believe we can enhance our capability to supply engineers and raise our market share.

Copyright © UT Group Co.,Ltd. All rights reserved.

The wave of consolidation that hit dispatch business in the office work area is now hitting the manufacturing work area

The graph below compares the size of major players in office dispatch and manufacturing dispatch business in Japan for the most recent fiscal year.

Comparison of major players in office and other dispatch vs. manufacturing dispatch



Source: Kessan Tanshin and Other materials
for R-Co. and P1-Co. for FY3/2017; P2-Co. for FY5 /2017; UT Group for FY3/2017; and O-Co. and W-Co. for FY12/2017
Labor Force Survey (March 2018)

The office dispatch companies are concentrated in big cities, and their competitive advantage is driven by IT investment in capability to match job seekers and employees in the densely populated areas. This has led to consolidation into major three companies. In contrast, for manufacturing dispatch, less-populated non-urban regions tend to have high demand and investment in matching capability is not a key for competitiveness. Consequently, major manufacturing dispatch companies have remained small in size. However, going forward, clients are likely to be more selective, which we believe could lead to more consolidation of manufacturing dispatch agencies over time. This should be a boost for us, the leading company in the sector, and we aim at achieving long-term growth.

Copyright © UT Group Co.,Ltd. All rights reserved.

Develop human resources needed in the 4th Industrial Revolution and aim at long-term dynamic growth

Manufacturing is expected to change drastically in the 4th Industrial Revolution. Design and development, preproduction, plant design and operation, as well as supply chain information and operation will be all digitalized and connected online. The physical space of production sites will be optimized based on simulation of virtual space using computer software. In order to succeed in such digital manufacturing it is indispensable to develop personnel who have advanced know-how on operations in both virtual space and physical space. UT Group, with its strength in personnel in manufacturing production sites, is collaborating with Siemens, which is one of front runners in digital manufacturing. We are developing personnel who are skilled in simulation as well as equipment and instrument in production sites.
In Japan, workers engaged in manufacturing are estimated to be around 10 million. If 5% were to be engaged in digital manufacturing, it means needs for a half million workers. UT Group will respond to such needs and aim at long-term growth.

The 4th Industrial Revolution's key points and challenge, and UT's strategy

The 4th Industrial Revolution in manufacturing

- Manufacturing process and supply chain will be digitalized and related information will be digitalized.
- Simulation of virtual space using computer software
- The physical space of production sites will be optimized based on the simulation results.

▼

Challenges

- Development of personnel who have advanced know-how on operations in both virtual space and physical space

▼

UT's strategy

- Development of personnel in collaboration with Siemens (Germany) and other leading companies in digital manufacturing

Copyright © UT Group Co.,Ltd. All rights reserved.

7 Growth outlook beyond the FY3/2017-FY3/2021 business plan

Aiming at further long-term growth

Market changes in the next 10 years: 4 trends and 5 implications

Foreign trainees

Expanding business target to excellent intermediate-size companies

M&A

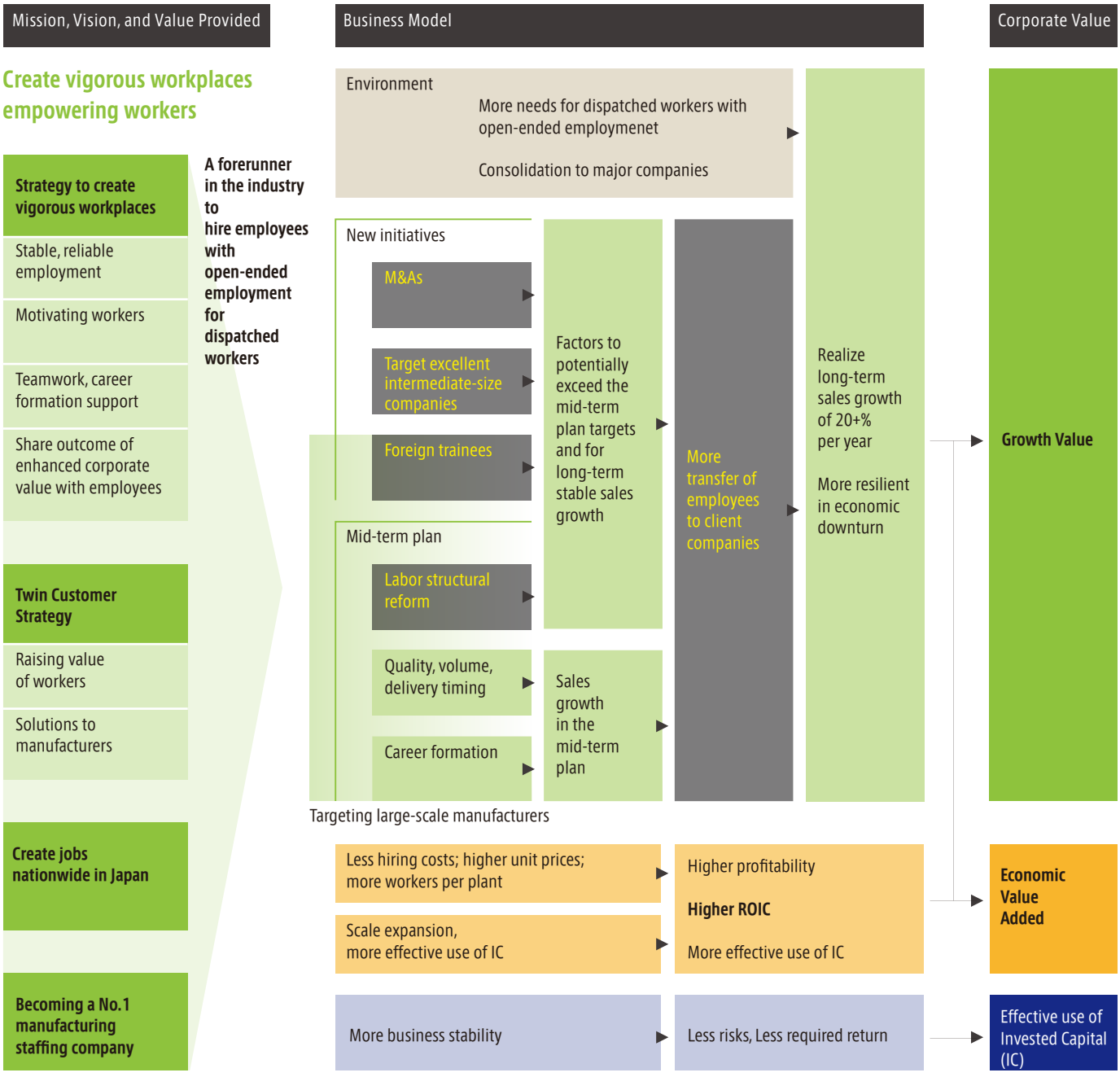
Full-scale transfer of employees to client companies

Copyright © UT Group Co., Ltd. All rights reserved.

Aiming at further long-term growth

Demand for dispatched workers with open-ended employment is expected to accelerate from 2018 and increase by 25-30% per year over the next three years, influenced by recent changes in labor-related regulations. As a result, we may exceed the targets for FY3/2021, namely sales of ¥145 billion and operating profit of ¥8.2 billion, which could be achieved by 20% growth per year from the current year of FY3/2019. In order to further boost sales growth beyond an annual target of 20% in the FY3/2017-FY3/2021 business plan and to establish a solid base to grow sales even during an economic downturn, we are striving to (1) enhance our capacity to respond to client companies' structural reform of their workforce; (2) engage significantly in managerial agency business for foreign technical interns; (3) enhance our business target to excellent intermediate-size companies; (4) increase our M&A activities; and (5) promote transfer of our employees to client companies.

FY3/2017-FY3/2021 business plan's progress and corporate value structure (conceptual depiction)



Copyright © UT Group Co.,Ltd. All rights reserved.

Market changes over the next 10 years: 4 trends and 5 implications

Looking over the next 10 years, we anticipate the following four important changes.

Four important market trends over the next 10 years

(1) Increase in needs to transfer fixed-term employees of client companies to dispatching companies, due to changes in the labor-related laws and regulations →This may accelerate in an economic downturn
(2) Shakeout of dispatching companies which cannot cope with the regulatory changes
(3) More utilization of technical training programs for foreign workers, due to labor shortage
(4) Increase in promotion of repositioning of dispatched workers to regular employees of client companies

1——Increase in needs to transfer fixed-term employees of client companies to dispatching companies, due to changes in the labor-related laws and regulations →This may accelerate in an economic downturn

Needs to transfer fixed-term employees of client companies to dispatching companies are expected to increase in response to regulatory changes. While the fixed-term employees tend to have good skills, client companies will face two issues: 1) higher risk in fixed costs if employee status is changed to that of regular employees; and 2) regulation that prohibits companies to hire fixed-term employees after completion of their contract term as dispatched work for one year. UT Group's Solution Business can help those companies solve the issues at hand by using our transfer system, which enables the client companies' fixed-term employees to be transferred to UT Group and continue to work at the same workplace, under a new arrangement of being dispatched from UT Group, while the companies can avoid risk of rising fixed costs. We believe that this trend will accelerate in an economic downturn.

2——Shakeout of dispatching companies which cannot cope with the regulatory changes

Dispatching companies which cannot cope with changes in labor-related laws and regulations are likely to be forced out. Consolidation into major companies and more M&A activities are expected.

3——More utilization of technical training programs for foreign workers, due to labor shortage

More companies will utilize technical training programs for foreign workers in response to the Technical Intern Training Act, that became effective on November 1, 2017. While regulation was tightened, the new act has extended internship terms from the maximum three years to the maximum five years for good hosting companies. This is likely to result in shakeout of inappropriate hosts and companies will become more open to accept foreign trainees for a longer term. To counter the labor shortage, major companies, which had not accepted foreign trainees, are expected to begin accepting them.

Next page:
Table " Revision in the Technical Training Program for Foreign Workers "

Copyright © UT Group Co.,Ltd. All rights reserved.

Revision in the Technical Training Program for Foreign Workers

System prior to November 2017	Technical Intern Training Act, November 1, 2017
Outline • The Immigration Bureau checked the trainee program as a part of procedures to authorize resident eligibility. • The Japan International Training Cooperation Organization (JITCO), a private organization, coordinated with organizations of sending countries and conducted on-site inspections of supervising organizations that received trainees. • Internship terms were three years at maximum. Issue JITCO had no legal authority to give administrative guidance to supervising organizations which performed inappropriately.	Outline • The Organization for Technical Intern Training (OTIT) was established. > OTIT requests reporting to supervising organizations and companies that accept foreign trainees and conducts on-site inspections. > Companies that accept foreign trainees apply application for the training plan to the OTIT. After it is accredited, companies apply for the trainees' visa to the Immigration Bureau. • Supervising organizations are subject to a license system. > The organizations need a license from both the Minister of Health, Labour and Welfare and the Minister of Justice. > Supervising organizations are classified into excellent ones for general supervising business and others for specific supervising business. • Internship terms are extended to the maximum five years, which are applicable only for excellent supervising organizations and for trainees who pass practical evaluation exam.

4——Increase in promotion of repositioning of dispatched workers to regular employees of client companies

More dispatched workers are expected to become regular employees of client companies. More fixed-term employees are expected become dispatched employees, instead of switching to become regular employees of the same company, which was hard to actually accomplish. As dispatched workers receive more support for their career advancement, those who perform well on site may have a better chance of becoming a regular employee of the client company.

Copyright © UT Group Co.,Ltd. All rights reserved.

4 trends, UT Group's 5 initiatives and key points to raise corporate value

The above four trends, UT Group's five initiatives, and key points to raise corporate value are summarized below. We promote these initiatives and aim at exceeding our medium-term business plan targets up to FY3/2021 and realizing high growth over the next decade.

4 market trends	Increase in needs to transfer fixed-term employees of client companies to dispatching companies, due to regulatory changes → Accelerate in an economic downturn	Shakeout of dispatching companies which cannot cope with the regulatory changes	Utilization of the technical training programs for foreign workers due to labor shortage	Increase in promotion of repositioning of dispatched workers to regular employees of client companies
UT Group's 5 initiatives	UT's Solution Business to address more to clients' labor structural reforms	M&As of dispatching companies which may be forced out	Sales agency business for foreign technical trainees	More transfer of UT's employees to client companies
	UT's business expansion with the above 4 initiatives and the 5th initiatives to expand target to excellent intermediate-size companies			
Implication to UT Group's corporate value	**Sales growth** Target annual growth of about 20% over a decade	**Profitability** Higher profitability driven by scale merit	**Invested capital to sales** Higher profitability driven by scale merit	**Business risks** Business with foreign trainees to become a stable profit base in 3-5 years Good strategy to enable UT to grow even in an economic downturn

Out of the 5 initiatives, foreign trainees, business target expansion to excellent intermediate-size companies, and M&A are explained below:

Foreign trainees

UT Global, a subsidiary of UT Group, is developing foreign-trainee business. The Technical Intern Training Program is to enable foreign technical trainees to obtain industrial and vocational skills through internship of up to five years with a Japanese company. Major countries sending trainees to Japan include China, Vietnam, Philippines and Brazil. Under the program, supervising organizations (i.e., commerce and industry associations and other non-profit organizations) are hosts of technical trainees, who then work in associated companies (called "implementing organizations"). According to the status of notifications of employment of foreigners by the Ministry of Health, Labour and Welfare, the number of foreign trainees was 168,000 at the end of October 2015, and then increased by 25% to 211,000 at the end of October 2016, and further increased by 20.2% to 257,000 at the end of October 2017. UT Global may seek to acquire a certain share in this area and has the potential to handle 10,000 or more workers.

UT Global plans to cooperate with supervising institutions and to provide services such as the functions of a managerial agency, while strictly adhering to compliance requirements. By comprehensively offering our management capacity and compliance capacity through UT Group's nationwide network, we plan to offer safety, bonding, and growth opportunities to foreign trainees and to develop a distinctive business. To companies which receive foreign trainees, we will offer matching services, risk control, and assistance to their HR strategy. The training program's procedure is that companies that accept foreign trainees submit applications for the training plan to the Organization for Technical Intern Training (OTIT) and, after it is accepted, they apply, to the Immigration Bureau for the trainees' visas.

Copyright © UT Group Co.,Ltd. All rights reserved.

Expanding business target to excellent intermediate-size companies

UT Community is developing a business in this area. Given its strong base in the Kansai region and business know-how with excellent intermediate-size companies, UT Community will establish a high-profit business model to service this sector of industry and aim at applying the model nationwide.

M&A

UT Group has acquired seven companies in the past five years. We believe that an industry shakeout is ongoing in Japan, and M&A opportunities therefore will increase. We are expecting that additional M&A cases, if realized, will generate incremental sales and earnings.

Five years of M&A

2013	July	81% of shares of Panasonic Battery Engineering Co., Ltd. was acquired to make it a subsidiary (renamed UT Pabec Co., Ltd.)
2015	Mar.	Shares of System Revolution Co., Ltd. were acquired and it became a subsidiary (and was integrated to UT System Co., Ltd. in April 2018).
2016	May	Shares of Atex Co., Ltd. were acquired and it became a subsidiary (and was integrated to UT Technology Co., Ltd. in April 2017).
	Dec.	Forward Co., Ltd. became a subsidiary (and was integrated to UT System Co., Ltd. in April 2017).
2017	Mar.	Shares of Tight Work, K.K. was acquired and it became a subsidiary (and was renamed to UT Community Co., Ltd. in April 2018.)
	Apr.	Lei Hau'oli Co., Ltd. became a subsidiary.
2018	Apr.	Fujitsu Aprico Limited was split into dispatching business and others. UT Group acquired 51% of shares of the surviving company engaged in dispatching business and made it a subsidiary (renamed to FUJITSU UT Co., Ltd.)

Full-scale transfer of employees to client companies

We have launched a business service of giving opportunities to our employees to become employees of client companies, under the Next UT Project, aforementioned as a part of our career advancement opportunities. If you compare referral fee income from a transfer of employees to client companies with revenue from continuing to dispatch them as UT Group's employees, we can generate more profit from revenue on dispatching than from the referral fee. However, we think that if we establish a system to transfer our employees to client companies, we can become more attractive as a company to work for and thereby expect positive impacts on the hiring side. Amid calls for the Workstyle Innovation and Promoting Dynamic Engagement of All Citizens spearheaded by the Japanese Government, we believe that improving a workplace for non-regular workers to make it more attractive place, jointly with client companies, will ultimately raise productivity of the workplace. Such needs are expected to continue growing.

Copyright © UT Group Co.,Ltd. All rights reserved.

8 Capital policy and shareholders' return policy

Capital policy and shareholders' return policy

Policy on dividend payment and share buyback

Copyright © UT Group Co., Ltd. All rights reserved.

Capital policy and shareholders' return policy

UT Group regards a total return ratio of 30% or more to be appropriate, given its return on capital and growth rate. As a capital policy, we have made commitments to achieve a gross debt/equity ratio of 1.0 or less by FY3/2021 and EBITDA growth rate of 30% or more during five years of the Medium-Term Business Plan. It is based on the assumption of 30% in EBITDA growth rate during the same period.

Commitments

EBITDA growth rate	**30% or more**
Total return ratio	**30% or more**
Gross D/E ratio	**1.0 or less**

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 one time or less is generally regarded as indicating a healthy financial position. The total return ratio represents the proportion of shareholder return to net profit. Its equation is [Total return ratio = (Dividends + Shares bought back) / Net profit after tax].

Policy on dividend payment and share buyback

When our current stock price is undervalued, we believe that long-term return to shareholders can be bigger mainly by doing a share buyback, rather than paying a dividend, as the number of shares outstanding will decline and earning per share will increase. We consider the PEG ratio of two times as a yardstick to judge whether the stock price is undervalued or not, with due consideration to UT Group's growth and return on capital.

Ratios for dividends and share buyback

Ratios for dividends and share buyback are determined by the level of stock price

PEG ratio1 time	PEG ratio = 1-2 times	PEG ratio2 times
Return to shareholders by share buyback	Return to shareholders by a combination of dividend payment and share buyback	Return to shareholders by dividend payment

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

PER (Price Earnings Ratio) = Share price/Expected annual EPS (Earnings per share)

PEG Ratio (Price Earnings Growth Ratio) = PER/Annual EPS growth rate

Copyright © UT Group Co.,Ltd. All rights reserved.

9 Environment, social contribution, and governance (ESG)

Environment	
Social contribution	
	UT Group's working environment
	Our track record of caring about workers has been highly evaluated
	Doing our business is our way to fulfill corporate social responsibility
	Corporate benefit programs
Governance	
	Enhancing supervisory framework by having independent external directors
	Supervision of operations and separation of execution of duties
	Board of Auditors and Internal Audit Room in collaboration in auditing
	Corporate governance structure

Copyright © UT Group Co., Ltd. All rights reserved.

Environment, social contribution, and governance (ESG)

For a company to raise sustainable corporate value, it is important to incorporate Environmental (E), Social contribution (S), and Governance (G) in the business scheme. UT Group's major ESG activities are as follows:

Environment

UT Group incorporates conscious awareness of the environment issues in everyday work, based on our Code of Conduct, "We will comply with environmental regulations, carefully use resources, and tackle environmental issues through our business activities with the aim of contributing to building a sustainable society. In addition, we believe that our business model itself is contributing to a sustainable society, due to its high efficiency of investment capital, in a sense that it creates high corporate value with less resources.

Social contribution

We believe that it is our business to provide people opportunities to grow through work and that our business growth is contributing to society.

UT Group's working environment

With the arrival of an era in which rights of workers are more highly protected, the need for protection of rights of dispatched workers has been widely recognized in society. There has been regulatory progress in protecting employment and career of workers. In the area of manufacturing of electronic components, stricter industry standards have been established. Manufacturing companies as well as dispatching companies are therefore required to take on more social responsibility and comply with new laws and regulations.

Our track record of caring about workers has been highly evaluated

Since the original company opened its doors, UT Group has adopted the corporate policy to hire employees with open-ended employment, and has strived to create both an environment that allows employees to work comfortably and with security and arrangements for them to learn and develop themselves. As a result, our management became quick to respond to the needs of society and has brought about strong performance. UT Group has become trusted by both workers and client companies.

Doing our business is our way to fulfill corporate social responsibility

UT Group's business model is to place emphasis on its employees' career formation as its core and to contribute to both workers and client companies. This model itself is our way to fulfill our social responsibility. We are committed to help grow each and all of our employees, together with client companies and society, and to contribute to growth of Japan's Monozukuri.

Copyright © UT Group Co.,Ltd. All rights reserved.

"Bonding" that enables employees to work comfortably and with security



Bonding with a company

Open-ended employment

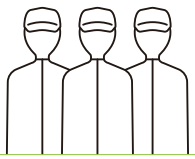
"Open-ended employment" is a base for dispatched workers to work at ease and advance career.



Bonding with someone to consult with

Career Partner Scheme

UT Group's strengths include a scheme to allow employees to accumulate experience at their dispatched workplace and training within the group, and advance their career. Internally-certified Career Partners work face-to-face with employees and support each of them in selecting desirable career advancement out of diverse options.



Bonding with associates

Not being isolated but team dispatching

UT Group's basic dispatching style is to dispatch by a team led by a team leader or a team manager. As employees are not isolated but work and grow together with team members, high retention rate and productivity can be realized.

Corporate benefit programs

UT Group has excellent benefit programs.

Benefit programs



Employee Shareholding Association

Demonstrating our belief that "Employees play major roles"

UT Group introduced its industry's first employee shareholding association. We realized a scheme to share profits, which are the outcome of corporate growth, among all employees.
This is one of our ways to show employees that their efforts and outcome are fairly rewarded.



Length-of-service awards for employees

Appreciating employees who play roles in corporate culture to learn and help develop others

UT Group gives awards to employees who pass the 10-year and 20-year milestone of working for the Group. They are awarded with a certificate of appreciation, a prize, and gift. Those awarded employees are expected to play important roles for many more years by utilizing their experience and passing on their knowledge and experience to junior staff.



Mental health support for employees

Helpline for consulting service

The UT Group does not tolerate sexual harassment or power harassment. A Helpline via free dial or e-mail is available for our employees in case of distress or trouble. Employees can use the Helpline anonymously and privacy is guaranteed for consultees and whistleblowers with no risk of suffering from disadvantages.



Benefit programs

A subsidiary specialized in insurance and other services to employees

In 2012, UT Life Support was established to enhance UT Group's benefit programs for employees.
The company helps employees buy medical, automobile, and other insurance policies. It also provides "Ut Group C lub Off" services enabling employees to use travel, leisure, sports, shopping, child/elder care services at favorable prices.

Copyright © UT Group Co.,Ltd. All rights reserved.

Governance

UT Group makes its basic policies of corporate governance (1) to carry out speedy decision making and respond to changes in a flexible, prompt manner from the viewpoint of "responding to change in management in environment"; (2) to enrich a supervising function of management from a viewpoint of management transparency; (3) and to comply with laws and regulations and respect social ethics from a viewpoint of management soundness.
Under these policies, we aim for continuous enhancement from the perspectives of "Protective Governance" in gaining trust from all shareholders and society and "Aggressive Governance," aiming to enhance corporate value through agile management.

Enhancing supervisory framework by having independent external directors

In order to ensure the transparency of our management and enhance our business supervisory functions, UT Group has appointed independent external directors who possess extensive business experience and have no vested interest in the company. At present, UT Group's board of directors is comprised of four members, of whom three are independent external directors.
Furthermore, with the aim of clarifying the responsibilities of the directors and establishing a structure with an agile board of directors, the term for directors has been set as one year. The board of directors oversees the company's management through holding meetings once a month as well as extraordinary meetings on an as-needed basis.

Supervision of operations and separation of execution of duties

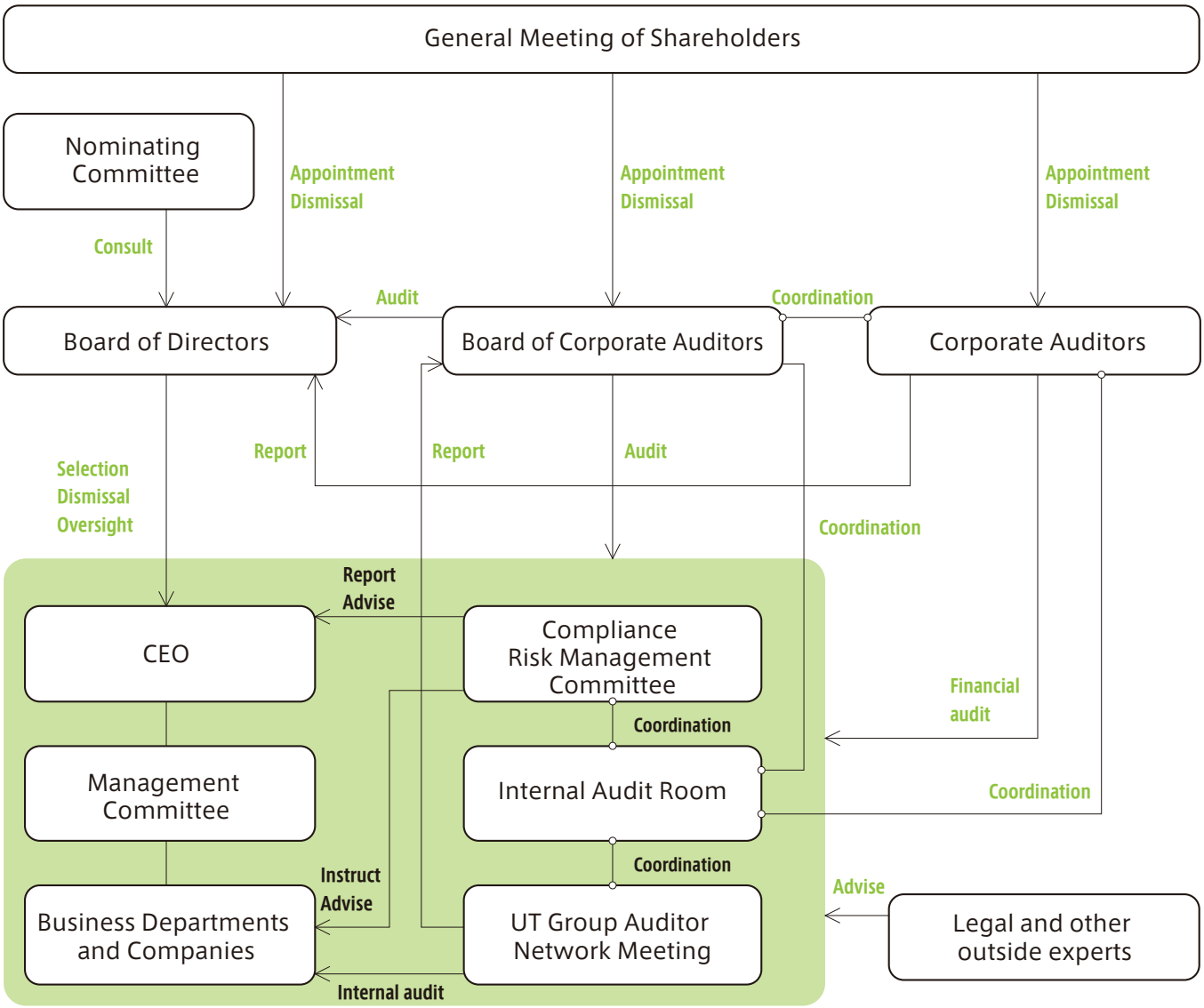
In order to rapidly respond to the fast-changing business environment and further enhance our business supervisory functions, UT Group has introduced a delegated executive officer system. Executive officers are granted a set range of responsibilities and powers, with which they execute their duties in accordance with the basic policies and strategies determined by the board of directors.
Furthermore, at the weekly management meetings chaired by the president and representative director, executive officers report on the execution status of their duties and discuss urgent matters.

Board of Auditors and Internal Audit Room in collaboration in auditing

UT Group has introduced the Corporate Auditor System as we believe management execution is sufficiently supervised by the enhanced auditor system. At present, UT Group has four corporate auditors, of whom two are independent external directors. The auditors attend the Board of Directors meetings, management conferences and other important meetings, and supervise execution by directors. They also meet and discuss various matters with the President as needed, and exercise the auditing authority given lawfully to them.
Furthermore, UT Group Auditor Network Meeting has been established for understanding the audit status of the UT Group companies and information exchange for effective functioning of governance of the entire Group.
The Internal Audit Room has also been established to examine and evaluate appropriateness of the internal control system, including compliance and risk management of the entire group, and to report the results to the Board of Directors and auditors. The Board of Auditors cooperate with the Internal Audit Room to appropriately audit effectiveness of the status of governance and the internal control system of the entire group.

Copyright © UT Group Co.,Ltd. All rights reserved.

Corporate governance structure



Copyright © UT Group Co.,Ltd. All rights reserved.

Disclaimer

This material contains forward-looking statements such as forecasts, outlook, targets and plans of UT Group Co., Ltd. ("the Company") or its group companies ("the Company Group"). These statements have been prepared by management on the basis of currently available information. They are based on certain assumptions and include management judgment or subjective projections.

Due to risks and uncertain factors, these statements may turn out to be inaccurate or may not materialize in the future.

Accordingly, actual business results and financial conditions may differ from UT Group's forecasts, outlook, targets and plans.

UT Group has no obligation and no policy to update present forward-looking statements such as forecasts, outlook, targets and plans.

This material has been prepared solely for informational purposes, and is not an offer to buy or sell or a solicitation of an offer to buy or sell any security, financial product or investment. In addition, UT Group does not guarantee or give any warranty as to the accuracy, completeness, fairness or certainty of any information of this material. Accordingly, UT Group shall bear no liability whatsoever for any damages resulting from use of this material.

This material is subject to the copyright and all other rights of UT Group.

Copyright © UT Group Co., Ltd. All rights reserved.