Summary of Consolidated Financial Statements
For the the First Quarter of Fiscal Year Ending March 31, 2020
(Japanese GAAP)

August 8, 2019

Listed company name: UT Group Co., Ltd. Stock Exchange Listing: Tokyo
Code number: 2146 URL: http://www.ut-g.co.jp
Representative: Yoichi Wakayama, President, Representative Director & CEO
For inquiries: Takahito Yamada, Division Manager, General Affairs Division
TEL: 03-5447-1710
Scheduled date of filing securities report: August 9, 2019
Schedule date of cash dividend payment: —
Supplemental material for the financial results provided: Yes (Uploaded on the Company's website on August 13, 2019)
Results briefing for the period under review provided: None (The briefing video to be uploaded on the Company's website on August 13, 2019)

(All amounts are rounded down to the nearest million yen.)

1. Consolidated Results for the First Quarter of FY3/2020 (April 1, 2019 – June 30, 2019)

(1) Consolidated Earnings Results

(Percentages represent year-on-year changes.)

	Sales		Operating profit		Ordinary profit		Profit attributable to owners of the parent	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
1Q of FY3/2020	25,731	8.5	1,657	0.3	1,671	1.2	302	-72.0
1Q of FY3/2019	23,722	29.8	1,653	78.4	1,652	81.1	1,082	85.3

(Note) Comprehensive income: 1Q of FY3/2020 304 million yen (-72.1%); 1Q of FY3/2019 1,088 million yen (86.4%)

	Net profit per share	Net profit per share, diluted
	Yen	Yen
1Q of FY3/2020	7.50	—
1Q of FY3/2019	26.76	—

(2) Consolidated Financial Conditions

	Total assets	Net assets	Equity ratio
	Million yen	Million yen	%
1Q of FY3/2020	29,288	10,789	36.5
FY3/2019	33,720	12,996	38.2

(Reference) Equity capital: 1Q of FY3/2020 10,689 million yen; FY3/2019 12,886 million yen

2. Cash Dividends

	Dividend per share				
(Record date)	1Q-end	2Q-end	3Q-end	FY-end	Total
	Yen	Yen	Yen	Yen	Yen
FY3/2019	0.00	0.00	0.00	61.93	61.93
FY3/2020	0.00				
FY3/2020 (Plan)		—	—	—	—

(Note) Revision of the dividend forecast disclosed recently: None

3. Consolidated Forecasts for FY3/2020 (April 1, 2019 – March 31, 2020)

(% indicates year-over-year change)

	Sales		Operating profit		Ordinary profit		Profit attributable to owners of the parent		Profit per share
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
Full year	120,000	18.7	10,000	23.7	9,900	21.2	6,200	24.8	153.61

(Note) Revision of the earnings forecasts disclosed recently: None

* Notes

(1) Changes in significant subsidiaries during the period (changes in specified subsidiaries resulting in changes in scope of consolidation): None

(2) Use of particular accounting procedures in preparation of quarterly consolidated financial statements: Yes

(3) Changes in accounting policies and accounting-based estimates, and restatements

(a) Changes in accounting policies due to revisions in accounting standards and others: None
(b) Changes in accounting policies other than (a) above: None
(c) Changes in accounting-based estimates: None
(d) Restatements: None

(4) Number of outstanding shares (common stock)

(a) Number of shares outstanding at the end of the period (including treasury shares):

As of June 30, 2019	40,363,067	As of Mar. 31, 2019	40, 363,067

(b) Number of treasury shares at the end of the period:

As of June 30, 2019	95	As of Mar. 31, 2019	61

(c) Average number of shares outstanding during the period:

As of June 30, 2019	40,362,988	As of June 30, 2018	40,448,374

* The Summary of Quarterly Consolidated Financial Statements is not subject to be reviewed by certified public accountants and auditing firms.

* Cautionary statement with respect to forecasts of future performance and other special items

Forecasts regarding future performance and other forward-looking statements in these materials are based on certain assumptions judged to be valid and information currently available to the Company. These statements are not promises by the Company regarding future performance. Actual performance may differ significantly from these forecasts for a number of reasons. For precautions on usage of forecasts of future performance, please refer to the section “1. Qualitative Information on Quarterly Financial Results, (3) Description of Consolidated Earnings Forecast and Other Forward-looking Information” on page 4 of the attachments.

The supplemental material for the financial results provided and the results briefing video are scheduled to be uploaded on the Company’s website on August 13.

Attachments

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1. Qualitative Information on Financial Results for Current First Quarter

(1) Overview of Results of Operations for Current First Quarter

In the first quarter of the FY3/2019 (from April 1, 2019, to June 30, 2019), the Japanese economy experienced a continued increase in capital expenditures by domestic companies and a moderate increase in consumer spending on the back of the improvement in the income environment. However, the outlook remains uncertain as China's sluggish economy and the US-China trade tension has affected as downward pressure on the production activities of manufacturers, demand of which is centered around overseas demand.

In terms of the environment surrounding UT Group, the clients in the semiconductors and electronic components sector have continued production adjustments since January 2019, due to a slowdown of China's economy, global sluggish demand in smartphones, and semiconductor manufacturers' postponement of capital expenditures. However, personnel demand continued to be firm in the housing-related sector, supported by domestic construction demand, as well as in the automotive-related sector, partly driven by replacement demand ahead of a hike in consumption tax in Japan.

In such an environment, in addition to the established strategy of dispatching of many employees to large companies, UT Group promoted the area strategy to increase local opportunities to dispatch workers at second-tier and medium-sized companies for the purpose of meeting the needs of job seekers who want to work in their local community. The Company also sought to strengthen relations with major corporate groups by offering comprehensive HR services to them.

As a result, in the first quarter of FY3/2020, UT Group recorded net sales of 25,731 million yen (up 8.5% from 23,722 million yen in the first quarter of FY3/2019), operating profit of 1,657 million yen (up 0.3 from 1,653 million yen), ordinary profit of 1,671 million yen (up 1.2% from 1,652 million yen), and profit attributable to owners of the parent of 302 million yen (down 72.0% from 1,082 million yen). The number of technical employees was 20,640 (up 772 from 19,868 a year ago).

Segment results were as follows.

(Manufacturing Business)

In the Manufacturing Business, the level of personnel demand was mixed depending on the industry or individual company. In the automobile-related sector, UT Group received new orders for dispatched workers from automakers and automobile component makers as well as orders for an increase in the number of dispatched workers from the existing clients as their domestic demand was firm, partly due to replacement demand ahead of an increase in consumption tax. In contrast, in the semiconductors and electronic component sectors, some clients, such as semiconductor manufacturer equipment companies, have continued production adjustments since January 2019, with some plants decreasing the number of dispatched workers. From the current fiscal year, UT Group began to promote the area strategy to increase jobs in the regions, a positive impact from which, however, was not enough to offset the decline in workers, caused by production adjustments in semiconductors and electronic components. Although the number of technical employees decreased at the end of the first quarter compared to the end of the previous fiscal year, an increase in the ratio of relatively higher-unit-price automobile-related business resulted in an increase in sales.

As a result, in the current first quarter, the segment recorded net sales of 18,207 million yen (up 2.8% from 17,714 million yen in the first quarter of FY3/2019) and segment profit of 1,419 million yen (up 13.6% from 1,250 million yen), while the number of technical employees was 14,978 (down 577 from 15,555 a year ago).

(Solution Business)

In the Solution Business, UT Group Group strengthened relations with major corporate groups by offering comprehensive HR services to them, which led to an increase in the number of technical employees and sales. However, production adjustments by some clients in Electric Vehicle batteries and the posting of advance expenses associated with a large order for dispatched workers caused a decline in margin.

As a result, in the current first quarter, the segment recorded net sales of 3,290 million yen (up 21.6% from 2,706 million yen in the first quarter of FY3/2019), segment profit of 164 million yen (up 9.4% from 150 million yen), and the number of technical employees of 2,728 (up 516 from 2,212 a year ago).

(Engineering Business)

In the Engineering Business, the number of technical employees increased significantly, due to a near doubling of new hires of over 900 in April 2019 compared to the previous year. While demand in personnel by the semiconductor manufacturing equipment-related clients calmed down, being partly affected by their production adjustments, demand mainly of major manufacturers for field engineers, equipment maintenance operators, and automotive-related designers and developers remained strong and UT Group allocated more employees in these areas. As new hires were not operational for a certain period as they took initial training programs, the segment's operating margin significantly deteriorated in the current first quarter. However, this is a temporary factor seen at the time of hiring new graduates and the margin on a full-year basis should not be affected.

As a result, in the current first quarter, the segment recorded net sales of 4,276 million yen (up 28.5% from 3,328 million yen in the first quarter of FY3/2019) and segment profit of 87 million yen (down 67.8% from 271 million yen), while the number of technical employees was 2,934 (up 833 from 2,101 a year ago).

(2) Overview of Financial Position for Current Fiscal Year

(Assets)

Current assets as of the end of the current first quarter decreased by 3,133 million yen from the end of the previous year, to 25,620 million yen. This was mainly due to a 3,348 million yen decrease in cash and deposits. Non-current assets decreased by 1,298 million yen to 3,668 million yen, mainly due to a 1,226 million yen decrease in long-term prepaid expenses.

As a result, total assets decreased by 4,431 million yen from the end of the previous fiscal year, to 29,288 million yen.

(Liabilities)

Current liabilities as of the end of the current first quarter decreased by 1,870 million yen from the end of the previous fiscal year, to 15,037 million yen. This was mainly due to a 1,182 million yen decrease in accrued consumption taxes and a 663 million yen decrease in provision for bonuses. Non-current liabilities amounted to 3,461 million yen, down

354 million yen, mainly due to a decrease of 361 million yen in long-term loans payable.
In sum, total liabilities were 18,498 million yen, down 2,224 million yen from the end of the previous fiscal year.

(Net assets)

Net assets as of the end of the current first quarter were 10,789 million yen, down 2,206 million yen from the end of the previous fiscal year. This was mainly attributable to 2,499 million yen distribution of dividends from surplus.

As a result, the equity ratio was 36.5%, compared to 38.2% at the end of the previous fiscal year.

(3) Description of Consolidated Earnings Forecast and Other Forward-looking Information

UT Group‘s consolidated forecasts for FY3/2020 remain unchanged, as announced on May 9, 2019.

2. Quarterly Consolidated Financial Statements and Significant Notes

(1) Consolidated Balance Sheets

(Million yen)

	End of FY3/2019 (As of March 31, 2019)	1Q of FY3/2020 (As of June 30, 2019)
Assets		
Current assets		
Cash and deposits	14,990	11,642
Notes and accounts receivable - trade	12,429	12,470
Raw materials and supplies	1	1
Other	1,394	1,577
Allowance for doubtful accounts	(62)	(71)
Total current assets	28,753	25,620
Non-current assets		
Property, plant and equipment	324	311
Intangible assets		
Goodwill	1,410	1,332
Lease assets	0	0
Software	522	617
Other	173	111
Total intangible assets	2,107	2,061
Investments and other assets		
Investment securities	5	5
Long-term loans receivable	39	36
Long-term prepaid expenses	1,229	3
Deferred tax assets	801	801
Other	515	505
Allowance for doubtful accounts	(55)	(55)
Total investments and other assets	2,535	1,296
Total non-current assets	4,966	3,668
Total assets	33,720	29,288

(Million yen)

	End of FY3/2019 (As of March 31, 2019)	1Q of FY3/2020 (As of June 30, 2019)
Liabilities		
Current liabilities		
Short-term loans payable	250	250
Current portion of long-term loans payable	1,609	1,532
Accounts payable	840	994
Accrued expenses	6,231	6,444
Lease obligations	0	0
Income taxes payable	1,407	225
Accrued consumption taxes	2,345	1,843
Provision for bonuses	1,330	666
Provision for directors' bonuses	90	7
Deposits received	2,741	2,977
Other	59	95
Total current liabilities	16,907	15,037
Non-current liabilities		
Long-term loans payable	3,682	3,320
Lease obligations	1	0
Net defined benefit liability	94	102
Other	38	38
Total non-current liabilities	3,815	3,461
Total liabilities	20,723	18,498
Net Assets		
Shareholders' equity		
Capital stock	686	686
Capital surplus	422	422
Retained earnings	11,781	9,584
Treasury shares	(0)	(0)
Total shareholders' equity	12,890	10,693
Accumulated other comprehensive income		
Remeasurements of defined benefit plans	(4)	(4)
Total accumulated other comprehensive income	(4)	(4)
Non-controlling interests	110	100
Total net assets	12,996	10,789
Total liabilities and net assets	33,720	29,288

(2) Consolidated Statements of Income and Consolidated Statements of Comprehensive Income
(Consolidated Statements of Income)

(Million yen)

	1Q of FY3/2019 (April 1, 2018 - June 30, 2018	1Q of FY3/2020 (April 1, 2019 - June 30, 2019)
Net sales	23,722	25,731
Cost of sales	18,993	20,983
Gross profit	4,728	4,748
Selling, general and administrative expenses	3,075	3,090
Operating profit	1,653	1,657
Non-operating income		
Interest income	0	0
Subsidies for employment adjustment	17	25
Other	2	1
Total non-operating income	19	27
Non-operating expenses		
Interest expenses	10	7
Commission fee	7	2
Other	2	2
Total non-operating expenses	20	13
Ordinary profit	1,652	1,671
Extraordinary income		
Total extraordinary income	—	—
Extraordinary losses		
25th anniversary expenses	—	9
One-off cost due to the change in the ESOP-type Stock Benefit Trust Plan	—	1,180
Total extraordinary losses	—	1,190
Net profit before income taxes and other adjustments	1,652	481
Income taxes	563	177
Net profit	1,088	303
Net profit attributable to non-controlling interests	6	1
Net profit attributable to owners of the parent	1,082	302

(Consolidated Statements of Comprehensive Income)

(Million yen)

	1Q of FY3/2019 (April 1, 2018 - June 30, 2018	1Q of FY3/2020 (April 1, 2019 - June 30, 2019)
Net profit	1,088	303
Other comprehensive income		
Adjustment related to retirement benefits	—	0
Total other comprehensive income	—	0
Comprehensive income	1,088	304
(Comprehensive income attributable to)		
Comprehensive income attributable to owners of the parent	1,082	302
Comprehensive income attributable to non-controlling interests	6	1

(3) Notes to the Consolidated Financial Statements

(Note on the Assumption as a Going Concern)

Not applicable

(Notes in Case of Significant Change in the Amount of Shareholders' Equity)

1. Previous first quarter of FY3/2019 (from April 1, 2018, to June 30, 2018)

(1) Items concerning dividend

Not applicable

(2) Significant change in the amount of shareholders' equity

UT Group repurchased its own shares as follows, based on the resolution of the Board of Directors' meeting held on May 10, 2018, as UT Group aims at raising its share value, improving a balance between future growth and investment, and executing efficient capital policy through higher capital efficiency and an improved demand/supply balance of shares in the stock market

Acquisition of own shares

- Period of acquisition: From May 11, 2018 to May 21, 2018
- Number of shares acquired: 293,300 shares of common stock
- Amount of acquisition: 1,060 million yen
- Method of acquisition: Purchase in the open market via the trust method in the JASDAQ market of the Tokyo Stock Exchange

2. Current first quarter of FY3/2020 (from April 1, 2019, to June 30, 2019)

(1) Items concerning dividend

Resolved	Type of stock	Total amount of dividends (Million yen)	Dividend per share (Yen)	Record date	Effective date	Dividend source
Board of Directors, held on May 9, 2019	Common stock	2,499	61.93	March 31, 2019	June 24, 2019	Retained earnings

Note: The dividend per share is comprised of 36.93 yen in ordinary dividend and 25.00 yen in commemorative dividend.

(2) Significant change in the amount of shareholders' equity

Not applicable

(Use of Particular accounting procedures in preparation of quarterly consolidated financial statements)

(Calculation of tax expenses)

Tax expenses are calculated by multiplying net pre-tax profits for the quarter by the estimated effective tax rate. Note that the "estimated effective tax rate" is a reasonable estimation of the effective tax rate after tax effect accounting has

been applied to pre-tax net profits for the consolidated fiscal year, including the current quarter.

Note that in the absence of any significant rationality for calculating tax expenses using an estimated effective tax rate, the expenses should be calculated by using the statutory effective tax rate.

(Segment Information, etc.)

[Segment Information]

I Previous first quarter of FY3/2019 (from April 1, 2018, to June 30, 2018)

1. Sales and profit (loss) by segment

(Million yen)

	Reportable Business Segments				Adjustment amount[1]	Amounts on the consolidated statements[2]
	Manufacturing Business	Solution Business	Engineering Business	Total		
Sales						
Sales to clients	17,688	2,705	3,328	23,722	—	23,722
Inter-segment sales or transfers	26	0	—	26	(26)	—
Total	17,714	2,706	3,328	23,748	(26)	23,722
Segment profit (loss)	1,250	150	271	1,672	(19)	1,653

Notes: (1) Adjustment to segment profit (loss) of -19 million is elimination of inter-segment transactions.
(2) Segment profit is adjusted to correspond to operating profit in the consolidated statements of income.

2. Impaired loss on fixed assets or goodwill by segment

Not applicable

II Current first quarter of FY3/2020 (from April 1, 2019, to June 30, 2019)

1. Sales and profit (loss) by segment

(Million yen)

	Reportable Business Segments				Adjustment amount[1]	Amounts on the consolidated statements[2]
	Manufacturing Business	Solution Business	Engineering Business	Total		
Sales						
Sales to clients	18,165	3,289	4,276	25,731	—	25,731
Inter-segment sales or transfers	41	0	—	41	(41)	—
Total	18,207	3,290	4,276	25,773	(41)	25,731
Segment profit (loss)	1,419	164	87	1,671	(14)	1,657

Notes: (1) Adjustment to segment profit (loss) of -14 million is elimination of inter-segment transactions.
(2) Segment profit is adjusted to correspond to operating profit in the consolidated statements of income.

2. Impaired loss on fixed assets or goodwill by segment

Not applicable