Summary of Consolidated Financial Statements
For the First Quarter of Fiscal Year Ending March 31, 2022
(Japanese GAAP)

August 6, 2021

Listed company name: UT Group Co., Ltd. Stock Exchange Listing: Tokyo
Code number: 2146 URL: https://www.ut-g.co.jp
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Scheduled date of filing securities report: August 10, 2021
Schedule date of cash dividend payment: —
Supplemental material for the financial results provided: Yes (Uploaded on the Company's website on August 6, 2021)
Results briefing for the period under review provided: No (The briefing video to be uploaded on the Company's website on August 6, 2021)

(Note) This English translation of the summary of the financial statement was prepared for reference only. In the event of any discrepancy between this translation and the Japanese original, the original shall prevail.

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

1. Consolidated Results for the First Quarter of FY3/2022 (April 1, 2021 – June 30, 2021)

(1) Consolidated Earnings Results

(Percentages indicate 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 FY3/2022	35,215	36.3	1,257	-28.7	1,265	-29.0	191	-83.4
1Q of FY3/2021	25,829	0.4	1,763	6.4	1,782	6.7	1,156	282.1

(Note) Comprehensive income: 1Q of FY3/2022 348 million yen (-70.1%); 1Q of FY3/2021 1,164million yen (282.8%)

	Net profit per share	Net profit per share, diluted
	Yen	Yen
1Q of FY3/2022	4.74	—
1Q of FY3/2021	28.64	—

(2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio
	Million yen	Million yen	%
1Q of FY3/2022	49,165	17,869	34.0
FY3/2021	52,666	20,198	36.2

(Reference) Equity capital: 1Q of FY3/2022 16,716 million yen; FY3/2021 19,087 million yen

2. Cash Dividends

	Dividend per share				
(Record date)	1Q-end	2Q-end	3Q-end	FY-end	Total
	Yen	Yen	Yen	Yen	Yen
FY3/2021	0.00	0.00	0.00	66.00	66.00
FY3/2022	0.00				
FY3/2022 (Plan)		—	—	—	—

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

The dividend forecast for FY3/2022 is undecided.

3. Consolidated Forecasts for FY3/2022 (April 1, 2021 – March 31, 2022)

(Percentages indicate year-over-year changes.)

	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	150,000	30.3	8,000	11.7	8,000	11.2	4,800	11.6	118.92

(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): Yes

One new company: Progress Group Co., Ltd.
Note: While not applicable to “Changes in significant subsidiaries,” Progress Co., Ltd. has been included in scope of consolidation since the first quarter of the current fiscal year.

(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: Yes
(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):
1Q of FY3/2022 40,363,067 FY3/2021 40, 363,067
(b) Number of treasury shares at the end of the period:
1Q of FY3/2022 180 FY3/2021 154
(c) Average number of shares outstanding during the period:
1Q of FY3/2022 40,362,893 1Q of FY3/2021 40,362,919

* 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 3 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 6.

1. Qualitative Information on Financial Results for Current First Quarter

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

In the current first quarter of the FY3/2022 (from April 1, 2021 to June 30, 2021), the Japanese economy remained in a tough situation due to the prolonged spread of the coronavirus infection, but economic activity continued to pick up partly due to vaccination rollout as well as the effects of various economic measures. While the employment situation remained generally weak, industrial production picked up mainly in transportation machinery, production machinery, electronic parts and devices, and the jobs-to-applicants ratio in production sectors rose to 1.52 times in June.

The environment surrounding the UT Group (the Company) was affected by a temporary suspension of operations caused by COVID-19 infection, mainly at major car manufacturers, in the first half of 2020. However, since the latter half of 2020, personnel demand increased along with a rapid recovery in production activities. In the semiconductor and electronic component-related field, semiconductor manufacturing equipment (SME) manufacturers and semiconductor manufacturers are rapidly increasing their production capacity, as demand for semiconductors for automobiles recovers, and production of SME and devices is expanding due to demand for the next-generation communication standard (5G). As SME manufacturers and semiconductor manufacturers are confronting increasingly tight semiconductor supply and demand conditions, the shortage of semiconductors worldwide is accelerating. Accordingly, demand for personnel has also been booming.

Under these circumstances, in the second year of the Fourth Medium-term Business Plan announced on May 20, 2020 (from FY3/2021 to FY3/2025), the Company pursued its "One-stop strategy for large manufacturers," "Area platform strategy," and "Solutions strategy" under the medium-term target of “creating a diversity & inclusion workstyle platform.” In our core business of worker dispatch to large manufacturers, the Company has enhanced development of manufacturing engineers so as to expand its business domain and raise its share in all processes at client factories. In addition, the Company aims to build workstyle platforms that cover the entire region by establishing a stable employment environment in local workplaces via alliances and M&As with local major companies. Moreover, the Company supports major corporate groups’ mobilization of human resources, and have been working to further strengthen and expand its business base.

In the first quarter of FY3/2022, we engaged in aggressive recruitment activities to respond to the rapidly recovering demand for human resources that was evident since the previous fiscal year. As a result, we achieved a record high of 4,410 recruited employees in the quarter. Both the number of technical employees and sales were significantly increased. In addition, with the aim of promoting the regional platform strategy based on the Fourth Medium-term Business Plan, the Company purchased all shares of Progress Group Co., Ltd. and SURI-EMU Corporation, which contributed to the increase in sales. Progress Group owned all the shares of Progress Co., Ltd., a regional dispatching company mainly in Aichi Prefecture, while SURI-EMU owned all shares of SURI-EMU Chubu Co., Ltd., SURI-EMU Tokai Co., Ltd., and SURI-EMU Staff Co., Ltd.

On the profit front, enhanced hiring activities to accelerate sales growth resulted in a temporary increase in hiring-related expenses and a decline in profits.

As a result, in the first quarter of FY3/2022, UT Group recorded net sales of 35,215 million yen (up 36.3% from 25,829 million yen in the first quarter of FY3/2021), operating profit of 1,257 million yen (down 28.7% from 1,763 million yen,), ordinary profit of 1,265 million yen (down 29.0% from 1,782 million yen), and profit attributable to owners of the parent of 191 million yen (down 83.4% from 1,156 million yen). The number of technical employees was 39,748 (up 18,658 from 21,090 a year ago).

(Manufacturing Business)

In the Manufacturing Business, orders were acquired very well due to strong personnel demand that stemmed from the rapid recovery in production activities in the automotive as well as the semiconductor and electronic parts sectors. In order to respond quickly to the strong personnel demand of client companies, the number of technical employees was greatly increased by aggressive hiring activities. In addition, to further expand and deepen our career platform in a target region, we have newly consolidated six companies of two dispatch work operators mainly in Aichi Prefecture. As of May 2021, the Company acquired all shares of Progress Group Co., Ltd., which fully owned Progress Inc., and SURI-EMU Corporation which owned all shares of SURI-EMU Chubu Co., Ltd., SURI-EMU Tokai Co., Ltd., and SURI-EMU Staff Co., Ltd. These newly-consolidated companies contributed to the increase in sales.
On the cost side, SG&A expenses increased due to strategic use of hiring-related expenses and other investment.

As a result, in the first quarter of FY3/2022, the Manufacturing Business segment recorded net sales of 23,702 million yen (up 53.0% from 15,488 million yen in the same period of the previous year) and segment profit of 507 million yen (down 39.1% from 832 million yen), while the number of technical employees was 32,439 (up 18,106 from 14,333 a year ago). Excluding Green Speed Joint Stock Company, Green Speed Co., Ltd. and Hoang Nhan Co., Ltd., which were newly consolidated from the fourth quarter of FY3/2021, the segment in Japan recorded net sales of 22,166 million yen (up 43.1% from 15,488 million yen) and segment profit of 518 million yen (down 37.7% from 832 million yen) and the number of employees totaled 19,868 (up 5,535 from 14,333 a year ago).

(Solution Business)

The Solution Business increased net sales as personnel demand grew mainly at UT Pabec, which is specialized in battery manufacturing, but decreased profit as the segment focused on hiring activities to satisfy the demand growth. In addition, the segment continued to focus on sales activities aimed at acquiring projects that support major corporate groups' mobilization of human resources.

As a result, in the first quarter of FY3/2022, the segment recorded net sales of 7,419 million yen (up 18.3% from 6,273 million yen in the same period of the previous year) and segment profit of 219 million yen (down 39.4% from 361 million yen), and the number of technical employees of 4,553 (up 602 from 3,951 a year ago).

(Engineering Business)

In the Engineering Business, demand for field engineers, mainly from leading semiconductor manufacturing equipment manufacturers and semiconductor manufacturers, expanded. The segment has continued to record a q-o-q increase in the number of technical employees since the bottom at the end of December 2020, as we resumed implementing our job change system that encourages employees from manufacturing operators to engineers. This system, One UT, was difficult to operate under conditions imposed by the COVID-19 pandemic, and as new graduates were hired in April 2021. In addition, the fourth Technology Skill Development Center, a specialized training facility for developing semiconductor manufacturing equipment engineers, opened in Osaka, and a base to produce 3,000 semiconductor manufacturing equipment engineers over the course of three years has been established.

As a result, in the first quarter of FY3/2022, the segment recorded net sales of 4,102 million yen (up 0.1% from 4,099 million yen in the same period of the previous year) and segment profit of 553 million yen (down 3.6% from 574 million yen), while the number of technical employees was 2,756 (down 50 from 2,806 a year ago).

(2) Overview of Financial Position for Current First Quarter

(Assets)

Current assets as of the end of the current first quarter of the fiscal year decreased by 8,496 million yen from the end of the previous fiscal year to 35,483 million yen. This was mainly due to a decrease in cash and deposits by 9,994 million yen. Non-current assets amounted to 13,682 million yen, an increase of 4,994 million yen from the end of the previous fiscal year. This was mainly due to increases of 2,230 million yen in goodwill, 1,176 million yen in other of intangible assets, 934 million yen in property, plant and equipment.
As a result, total assets decreased by 3,501 million yen from the end of the previous fiscal year to 49,165 million yen.

(Liabilities)

Current liabilities at the end of the first quarter of the fiscal year decreased by 1,225 million yen from the end of the previous fiscal year to 21,338 million yen. This was mainly due to decreases of 740 million yen in provision for bonuses, 635 million yen in notes and accounts payable – trade, and 396 million yen in deposits received, despite an increase of 567 million yen in accrued expenses. Non-current liabilities amounted to 9,957 million yen, up 53 million yen from the end of the previous fiscal year. This was mainly due to increases of 532 million yen in deferred tax liabilities and 107 million yen in net defined benefit liability, despite a decrease of 577 million yen in long-term loans payable.
In sum, total liabilities were 31,296 million yen, down 1,172 million yen from the end of the previous fiscal year.

(Net assets)

Net assets as of the end of the current first quarter 17,869 million yen, down 2,329 million yen from the end of the previous fiscal year. This was mainly caused by the dividend made by earnings surplus of 2,663 million yen.
As a result, the equity ratio was 34.0%, compared to 36.2% 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 FY3/2022 remain unchanged, as announced on May 10, 2021.

2. Quarterly Consolidated Financial Statements and Significant Notes

(1) Quarterly Consolidated Balance Sheets

(Million yen)

	End of FY3/2021 (As of March 31, 2021)	End of First quarter of FY3/2022 (As of June 30, 2021)
Assets		
Current assets		
Cash and deposits	25,266	15,272
Notes and accounts receivable - trade	16,762	17,834
Merchandise and finished goods	25	44
Work in process	7	50
Raw materials and supplies	52	75
Other	1,907	2,261
Allowance for doubtful accounts	(42)	(55)
Total current assets	43,979	35,483
Non-current assets		
Property, plant and equipment	464	1,398
Intangible assets		
Goodwill	4,005	6,235
Leased assets	8	7
Software	585	547
Other	942	2,118
Total intangible assets	5,541	8,909
Investments and other assets		
Investment securities	882	1,193
Long-term loans receivable	17	15
Long-term prepaid expenses	13	12
Deferred tax assets	1,264	1,609
Other	559	600
Allowance for doubtful accounts	(56)	(56)
Total investments and other assets	2,681	3,374
Total non-current assets	8,687	13,682
Total assets	52,666	49,165

(Million yen)

	End of FY3/2021 (As of March 31, 2021)	End of First quarter of FY3/2022 (As of June 30, 2021)
Liabilities		
Current liabilities		
Notes and accounts payable - trade	2,517	1,882
Short-term borrowings	191	373
Current portion of long-term borrowings	2,328	2,299
Accounts payable - other	1,590	1,319
Accrued expenses	7,106	7,674
Lease obligations	9	9
Income taxes payable	855	777
Accrued consumption taxes	2,841	3,000
Provision for bonuses	2,095	1,355
Provision for bonuses for directors (and other officers)	94	48
Deposits received	2,878	2,482
Other	53	114
Total current liabilities	22,564	21,338
Non-current liabilities		
Long-term borrowings	9,163	8,586
Lease obligations	29	27
Retirement benefit liability	534	642
Deferred tax liabilities	114	646
Other	62	54
Total non-current liabilities	9,904	9,957
Total liabilities	32,468	31,296
Net assets		
Shareholders' equity		
Share capital	686	686
Capital surplus	338	338
Retained earnings	18,091	15,608
Treasury shares	(0)	(0)
Total shareholders' equity	19,116	16,633
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	0	0
Foreign currency translation adjustment	(28)	82
Total accumulated other comprehensive income	(28)	83
Share acquisition rights	602	602
Non-controlling interests	507	550

(Million yen)

	End of FY3/2021 (As of March 31, 2021)	End of First quarter of FY3/2022 (As of June 30, 2021)
Total net assets	20,198	17,869
Total liabilities and net assets	52,666	49,165

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

(Million yen)

	1Q of FY3/2021 (April 1, 2020 - June 30, 2020)	1Q of FY3/2022 (April 1, 2021 - June 30, 2021)
Net sales	25,829	35,215
Cost of sales	21,195	29,129
Gross profit	4,634	6,085
Selling, general and administrative expenses	2,870	4,828
Operating profit	1,763	1,257
Non-operating income		
Interest income	0	1
Subsidies for employment adjustment	11	27
Dividend income of insurance	19	0
Other	7	18
Total non-operating income	39	47
Non-operating expenses		
Interest expenses	10	16
Commission expenses	8	4
Share of loss of entities accounted for using equity method	—	16
Other	1	3
Total non-operating expenses	19	39
Ordinary profit	1,782	1,265
Extraordinary income		
Gain on sale of non-current assets	—	4
Total extraordinary income	—	4
Extraordinary losses		
Loss on retirement of non-current assets	2	3
Restructuring cost	1	7
Loss on step acquisitions	—	289
Total extraordinary losses	3	299
Profit before income taxes	1,779	970
Income taxes	615	750
Profit	1,163	219
Profit attributable to non-controlling interests	7	28
Profit attributable to owners of parent	1,156	191

(Quarterly Consolidated Statements of Comprehensive Income)

(Million yen)

	1Q of FY3/2021 (April 1, 2020 - June 30, 2020)	1Q of FY3/2022 (April 1, 2021 - June 30, 2021)
Profit	1,163	219
Other comprehensive income		
Valuation difference on available-for-sale securities	0	0
Foreign currency translation adjustment	—	128
Remeasurements of defined benefit plans, net of tax	0	—
Share of other comprehensive income of entities accounted for using equity method	—	0
Total other comprehensive income	0	128
Comprehensive income	1,164	348
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	1,156	302
Comprehensive income attributable to non-controlling interests	7	45

(3) Notes to the Quarterly 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 FY3/2021 (from April 1, 2020 to June 30, 2020)

(1) Items concerning dividend

Not applicable

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

Not applicable

2. Current first quarter of FY3/2022 (from April 1, 2021 to June 30, 2021)

(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 meeting, held on May 10, 2021	Common stock	2,663	66.00	March 31, 2021	June 28, 2021	Retained earnings

Note: The dividend per share is comprised of 32.00 yen in ordinary dividend and 34.00 yen in commemorative dividend.

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

Not applicable

(Application of special accounting methods for presenting consolidated financial statements)

(Calculation of tax expenses)

Taxes are calculated by multiplying profit before income taxes for the first-quarter period under review by the reasonably estimated effective tax rate after adjustments for tax effect accounting to the profit income before income taxes for the current consolidated fiscal year ending March 31, 2022 including the first quarter.

In case that the tax expenses calculated by the estimated effective tax rate result in a significantly unreasonable amount, the legal effective tax rate is used.

(Change in accounting policies)

(Application of Accounting Standard for Revenue Recognition, etc.)

The Accounting Standard for Revenue Recognition (ASBJ No. 29, March 31, 2020) and others have been applied since the start of the first quarter of the current fiscal year and the Company recognizes the amount expected to be received in exchange for goods or services as revenue when the control of the promised goods or services has been transferred to the client. This change in the accounting policy has immaterial impact.

(Application of Accounting Standard for Fair Value Measurement, etc.)

The Accounting Standard for Fair Value Measurement (ASBJ Statement No. 30, July 4, 2019) and others have been

applied since the start of the current quarter, and the Company has decided to apply the new accounting policy set forth by the Accounting Standard for Fair Value Measurement, etc. into the future in accordance with the transitional procedures stipulated in Paragraph 19 of the Accounting Standard for Fair Value Measurement and Paragraph 44-2 of the Accounting Standard for Financial Instruments (ASBJ Statement No. 10, July 4, 2019). This will have no impact on quarterly consolidated financial statements.

(Segment Information)

I Previous first quarter of FY3/2021 (from April 1, 2020 to June 30, 2020)

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						
Dispatching	12,682	3,402	3,588	19,674	—	19,674
Contracting	2,564	1,628	468	4,661	—	4,661
Other	216	1,241	35	1,493	—	1,493
Revenue from contracts with customers	15,463	6,272	4,092	25,829	—	25,829
Sales to clients	15,463	6,272	4,092	25,829	—	25,829
Inter-segment sales or transfers	24	0	6	32	(32)	—
Total	15,488	6,273	4,099	25,861	(32)	25,829
Segment profit (loss)	832	361	574	1,768	(4)	1,763

Notes: (1) Adjustment to segment profit (loss) of -4million is elimination of inter-segment transactions.
(2) Segment profit is adjusted to correspond to operating profit in the consolidated statements of income.

2. Impairment losses of non-current assets or goodwill, etc. by reportable segment

(Significant change in the amount of goodwill)

The Solution Business segment acquired all shares of TBLS Service Business Corporation (changed corporate name to UT Business Service Co., Ltd.) and Toshiba Information System Products Incorporated (UT System Products, Co., Ltd.) and 80% of shares of Toshiba Office Mate Co., Ltd. in April 2020. These companies have been included in the scope of consolidation. This has increased goodwill by 387 million yen in the first quarter of FY3/2021.

II Current first quarter of FY3/2022 (from April 1, 2021 to June 30, 2021)

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						
Dispatching	18,951	4,215	3,585	26,753	—	26,753
Contracting	4,309	1,785	460	6,555	—	6,555
Other	436	1,414	55	1,906	—	1,906
Revenue from contracts with customers	23,697	7,415	4,102	35,215	—	35,215
Sales to clients	23,697	7,415	4,102	35,215	—	35,215
Inter-segment sales or transfers	5	4	—	9	(9)	—
Total	23,702	7,419	4,102	35,224	(9)	35,215
Segment profit (loss)	507	219	553	1,279	(21)	1,257

Notes: (1) Adjustment to segment profit (loss) of -21million is elimination of inter-segment transactions.
(2) Segment profit is adjusted to correspond to operating profit in the consolidated statements of income.

2. Impairment losses of non-current assets or goodwill, etc. by reportable segment

(Significant change in the amount of goodwill)

The Manufacturing Business segment acquired all shares of Progress Group Co., Ltd., which fully owned Progress Co., Ltd., as well as all shares of SURI-EMU Corporation, which fully owned SURI-EMU Chubu Co., Ltd., SURI-EMU Tokai Co., Ltd., and SURI-EMU Staff Co., Ltd. in May 2021. These companies have been included in the scope of consolidation. This has increased goodwill by 2,335 million yen in the first quarter of FY3/2022.