(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.

Summary of Consolidated Financial Statements For the Six Months of Fiscal Year Ending March 31, 2024 (Japanese GAAP)

November 13, 2023

Listed company name: UT Group Co., Ltd. Stock Exchange Listing: Tokyo
Code number: 2146 URL: https://www.ut-g.co.jp
Representative: Yoichi Wakayama, President, Representative Director & CEO
For inquiries: Takahito Yamada, Executive Officer, General Affairs Division Manager
TEL: 03-5447-1710

Scheduled date of filing securities report: November 14, 2023
Schedule date of cash dividend payment: —
Supplemental material for the financial results provided: Yes (Uploaded on the Company's website on November 13, 2023)
Results briefing for the period under review provided: Yes (To be held for institutional investors and analysts on November 14, 2023)

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

1. Consolidated Results for the Six Months of FY3/2024 (April 1, 2023 – September 30, 2023)

(1) Consolidated Earnings Results

(Percentages indicate year-on-year changes.)

	Sales		EBITDA		Operating profit		Ordinary profit		Profit attributable to owners of the parent	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Million yen	%
2Q of FY3/2024	82,203	-2.5	6,052	-18.5	5,241	-23.4	5,218	-23.0	3,536	-20.4
2Q of FY3/2023	84,284	16.1	7,426	156.9	6,844	201.3	6,777	199.6	4,440	525.2

(Note) Comprehensive income: 2Q of FY3/2024 3,860 million yen (-20.7%); 2Q of FY3/2023 4,867million yen (435.9%)

	Net profit per share	Net profit per share, diluted
	Yen	Yen
2Q of FY3/2024	88.56	83.57
2Q of FY3/2023	110.02	—

EBITDA = Operating profit + Depreciation (Property, plant and equipment, and Intangible assets) + Amortization

(2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio
	Million yen	Million yen	%
2Q of FY3/2024	67,509	30,949	35.1
FY3/2023	71,630	29,928	31.8

(Reference) Equity capital: 2Q of FY3/2024 23,664 million yen; FY3/2023 22,752 million yen

2. Cash Dividends

	Dividend per share				
(Record date)	1Q-end	2Q-end	3Q-end	FY-end	Total
	Yen	Yen	Yen	Yen	Yen
FY3/2023	0.00	0.00	0.00	0.00	0.00
FY3/2024	0.00	0.00			
FY3/2024 (Plan)			—	—	—

(Notes) Revision of the dividend forecast disclosed recently: None
The dividend forecast for FY3/2024 is undecided.

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3. Consolidated Forecasts for FY3/2024 (April 1, 2023 – March 31, 2024)

(Percentages indicate year-over-year changes.)

	Sales		EBITDA		Operating profit		Ordinary profit		Profit attributable to owners of the parent		Profit per share
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
Full year	169,000	-1.0	11,100	-29,4	9,500	6.6	9,300	5.3	6,100	59.2	153.93

(Note) Revision of the earnings forecasts disclosed recently: Yes
EBITDA = Operating profit + Depreciation (Property, plant and equipment, and Intangible assets) + Amortization

* 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):
2Q of FY3/2024 40,368,067 FY3/2023 40, 363,067
(b) Number of treasury shares at the end of the period:
2Q of FY3/2024 1,047,484 FY3/2023 307
(c) Average number of shares outstanding during the period:
2Q of FY3/2024 39,937,520 2Q of FY3/2023 40,362,877

* 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 Financial Results for Current First Quarter, (3) Description of Consolidated Earnings Forecast and Other Forward-looking Information” on page 5 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 November 13, 2023.

1. Qualitative Information on Financial Results for Current First Half

(1) Analysis of Operating Results

In the first half of FY3/2024 (April 1, 2023 to September 30, 2023), the Japanese economy was on a gradual recovery trend due to improvements in the employment environment and a pick-up in personal consumption against the backdrop of easing measures against COVID-19. However, in the midst of prolonged geopolitical risks arising from Russia's invasion of Ukraine and ongoing global monetary tightening, continued close monitoring is required of the risk that a downturn in overseas economies will exert downward pressure on Japan's economy, of the rise of prices, and of the impact of changes in financial and capital policies.

As for the environment surrounding UT Group, the number of new job openings in the manufacturing industry decreased*1 due to sluggish growth in industrial production. Under such circumstances, production activities of automobile-related manufacturers have been on a moderate recovery trend as the impact of the shortage of semiconductors and other components has eased. However, production activities of semiconductor manufacturing equipment (SEM) makers and semiconductor makers have continued to stagnate due to the impact of inventory adjustments that have continued since the fall of 2022. The effective job openings-to-applicants ratio in the production process peaked at 2.07 times in December 2022 and has continued to decline, and in September 2023, the supply-demand balance of human resources in the production process has been on an easing trend to 1.73 times.

With these circumstances in the background, UT Group made advances in materializing its Fourth Medium-term Business Plan (FY3/2021 - FY3/2025). With a medium-term target of “creating a diversity & inclusion workstyle platform,” the following three growth strategies have been promoted: One-stop Strategy to provide personnel to large manufacturers; Area Platform Strategy; and Solution Strategy. In the core business of worker dispatch to large manufacturers, the Company aims to enhance development of SME engineers so as to raise its share in all processes at client factories. The Company also seeks to establish a stable employment environment in local workplaces via alliances with and M&As of local major companies, and to further expand and strengthen its business base by supporting personnel mobilization of large corporate groups.

In the first half of FY3/2024, sales decreased year-on-year on the back of stagnant demand for human resources in the manufacturing industry, particularly for SME makers and semiconductor makers. Concerning the profit front, UT Group continued strategic investments such as building a system for hiring 2,000 employees per month for further business growth, while curbing costs such as hiring-related expenses and personnel expenses by reviewing personnel plans. However, these efforts were not sufficient enough to compensate for the decline in gross profit caused by the decline in sales.

As a result, in the first half of FY3/2024, UT Group recorded net sales of 82,203 million yen (down 2.5% from 84,284 million yen in the first half of FY3/2023), EBITDA*2 of 6,052 million yen (down 18.5% from 7,426 million yen), operating profit of 5,241 million yen (down 23.4% from 6,844 million yen), ordinary profit of 5,218 million yen (down 23.0% from 6,777 million yen), and profit attributable to owners of the parent of 3,536 million yen (down 20.4% from 4,440 million yen). The number of technical employees was 45,538 (up 50 from 45,488 a year ago).

*1. Source: Ministry of Health, Labour and Welfare, "General Employment Placement Status"
*2. EBITDA = Operating profit + Depreciation (Property, plant and equipment, and Intangible assets) + Amortization

The operating results of each business segment are summarized below.

(Manufacturing Business)

In the Transportation Equipment subsegment, production activities by automobile-related manufacturers gradually recovered due to the alleviation of the shortage of parts. However, in the Industrial and Commercial Machinery subsegment and the Electronics subsegment, overall demand for human resources remained lower than expected due to the continued impact of semiconductor inventory adjustments and other factors. Under these circumstances, the segment refrained hiring activities and worked to further strengthen relationships with client companies, such as by developing a "collaborative human resource development and dispatch model" to train inexperienced employees and realize continuous workplace improvement, in close collaboration with client companies.

In order to provide optimal services for our client companies, dispatched workplaces of some clients belonging to a business subsidiary of the Manufacturing Business have been transferred to a business subsidiary of the Area Business in the first quarter of FY3/2024. This has resulted in a move out of approximately 1,900 technical employees. For comparison information with past segment information regarding this matter, please refer to the supplemental material for the financial results ("Financial Results Briefing Material for the Second Quarter of the Fiscal Year Ending March 2024" posted on the Company's website).

As a result, in the first half of FY3/2024, the segment recorded net sales of 33,074 million yen (down 20.0% from 41,345 million yen in the same period of the previous year) and segment profit of 4,014 million yen (down 24.7% from 5,328 million yen), while the number of technical employees was 11,220 (down 3,566 from 14,786 a year ago).

(Area Business)

Amid stagnant production activities in the manufacturing industry as a whole, the Area Business segment strengthened “inside sales” and focused on developing clients and strengthening its sales base in each area. The segment also focused on making our existing client companies offer more diversified job openings and promoted hiring activities based on these efforts. And, as mentioned above, in order to provide optimal services for our client companies, we have transferred dispatched workplaces of some clients from the Manufacturing Business to the Area Business. This has resulted in a move-in of approximately 1,900 technical employees and thereby an increase in the number of technical employees, which contributed to the increase in sales. Expenses increased due to factors such as an increase of personnel in order to strengthen the sales structure and the acceleration of hiring activities in line with the development of projects.

As a result, in the first half of FY3/2024, the segment recorded net sales of 30,961 million yen (up 24.3% from 24,903 million yen in the same period of the previous year) and segment profit of 965 million yen (up 7.9% from 895 million yen), while the number of technical employees was 15,586 (up 2,639 from 12,947 a year ago).

(Solution Business)

In addition to actively making proposals aimed at acquiring new solution projects, the Solution Business strived to develop new client companies and contracting projects in which technical employees of a wide range of ages can be expected to play an active role. However, net sales decreased due to the termination of some subcontracting projects and other factors.

As a result, in the first half of FY3/2024, the segment recorded net sales of 8,990 million yen (down 2.9% from 9,255 million yen in the same period of the previous year) and segment loss of 11 million yen (profit of 65 million yen), while the number of technical employees was 3,309 (up 206 from 3,103 a year ago).

(Engineering Business)

184 new graduates who joined UT Group in April 2023 were assigned and engaged in active operations at an early

stage. In light of strong demand trends for Construction Engineers and IT Engineers, the segment made more aggressive efforts than usual to hire new graduates who will join UT Group in April 2024 and hiring-related expenses increased. In addition, personnel expenses increased due to reinforcement of the business structure such as sales and recruitment. In the field of Construction Engineers, 88 employees transferred to client companies during the first half of FY3/2024. This measure aims at strengthening relationships with client companies and supporting the career development of engineers.

As a result, in the first half of FY3/2024, the segment recorded net sales of 4,556 million yen (up 1.2% from 4,503 million yen in the same period of the previous year) and segment profit of 404 million yen (down 17.0% from 487 million yen), while the number of technical employees was 1,545 (down 16 from 1,561 a year ago).

(Overseas Business)

Production activities of Vietnam's major export industries stagnated due to the impact of the global economic slowdown, resulting in lower demand for human resources, particularly among manufacturing client companies. However, efforts to acquire projects in the service sector led to an increase in the number of technical employees. Furthermore, the segment expanded its business areas from the southern region centered on Ho Chi Minh City, where the segment has had offices, to the northern region centering on Hanoi, and focused on acquiring contracts from Japanese companies.
In addition, as the total conditional consideration for the acquisition of shares of Green Speed Joint Stock Company in October 2020 was finalized, goodwill of 687 million yen was newly recorded from the first quarter of FY3/2024, and the goodwill amortization of 129 million yen corresponding to the period from the initial share acquisition date to the determination of the consideration for the acquisition was recorded at the determination date of acquisition price in the first quarter.

As a result, in the first half of FY3/2024, the segment recorded net sales of 4,643 million yen (up 8.2% from 4,290 million yen in the same period of the previous year) and segment loss of 114 million yen (profit of 80 million yen), while the number of technical employees was 13,878 (up 787 from 13,091 a year ago).

Please note that the Overseas Business recorded its results for the January-June 2023 period in the first half of FY3/2024 with a delay of three months because its settlement date was the last day of December.

(2) Analysis of Financial Position

(i) Status of Assets, Liabilities and Net Assets

(Assets)

Current assets as of the end of the current first half of the fiscal year decreased by 3,621 million yen from the end of the previous fiscal year to 52,162 million yen. This was mainly due to decreases in cash and deposits by 2,582 million yen and in notes and accounts receivable - trade by 924 million yen. Non-current assets amounted to 15,347 million yen, a decrease of 499 million yen from the end of the previous fiscal year. This was mainly due to a decrease of 1,026 million yen in investment securities attributable to sale of J-CEP Co., Ltd. excessing an increase of 687 million yen in goodwill attributable to the determination of the total amount of conditional consideration for the acquisition of shares of Green Speed Joint Stock Company.
As a result, total assets decreased by 4,120 million yen from the end of the previous fiscal year to 67,509 million yen.

(Liabilities)

Current liabilities at the end of the first half f the fiscal year decreased by 2,012 million yen from the end of the previous fiscal year to 25,891 million yen. This was mainly due to an increase of 1,607 million yen in deposits received and accrued expenses as the end of this first half period was a holiday, and decreases of 1,898 million yen in income taxes payable and 1,759 million yen in accrued consumption taxes. Non-current liabilities amounted to 10,668 million yen, down 3,129 million yen from the end of the previous fiscal year. This was mainly due to a decrease of 2,975 million yen in long-term borrowings.
In sum, total liabilities were 36,560 million yen, down 5,141 million yen from the end of the previous fiscal year.

(Net assets)

Net assets as of the end of the current first half was 30,949 million yen, up 1,020 million yen from the end of the previous fiscal year. This was mainly due to that 3,536 million yen recorded as profit attributable to owners of the parent was more than offset by share buybacks of 2,817 million yen as shareholder returns. As a result, the equity ratio was 35.1%, compared to 31.8% at the end of the previous fiscal year.

(ii)Status of cash flows

Cash and cash equivalents at the end of the current first half of FY3/2024 were 29,387 million yen (down 2,582 million yen from the end of the previous fiscal year). The cash flow conditions for the current first half and reasons for increases or decreases are explained below.

(Cash flows from operating activities)

Cash flow provided by operating activities amounted to 2,597 million yen (compared to 4,973 million yen provided in the first half of the previous fiscal year). This was mainly attributable to the recordings of 5,659 million yen of net profit before income taxes and an increase of 1,558 million yen of deposits received and accrued expenses as the end of this first half period was a holiday, which more than offset 3,895 million yen in income taxes paid and 1,783 million yen in decrease in accrued consumption taxes.

(Cash flow from investing activities)

Cash flow provided by investing activities was 120 million yen (compared to 1,592 million yen used in the first half of the previous fiscal year), mainly because recognition of 1,555 million yen in proceeds from sale of shares of subsidiaries and associates exceeded the expenses of 830 million yen payment in purchase of intangible assets such as software, and recognition of 687 million yen for conditional purchase of shares of subsidiaries.

(Cash flow from financing activities)

Cash flow used by financing activities totaled 5,389 million yen (compared to 2,787 million yen used in the first half of the previous fiscal year), mainly due to 3,039 million yen in repayments of long-term loans payable and 2,817 million yen in share buybacks.

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

UT Group's consolidated earnings forecasts for FY3/2024 (from April 1, 2023 to March 31, 2024), announced on May 15, 2023, have been revised, given consideration to the recent business situation. The detail and the reason of revision are as follows.

	Net sales	EBITDA	Operating profit	Ordinary profit	Profit attributable to owners of parent	Profit per share
Previous forecasts (A)	Million yen 200,000	Million yen 16,400	Million yen 14,400	Million yen 14,100	Million yen 9,000	Yen 222.98
Revised forecasts (B)	169,000	11,100	9,500	9,300	6,100	153.93
Increase/decrease (B-A)	-31,000	-5,300	-4,900	-4,800	-2,900	-69.05
Change (%)	-15.5%	-32.3%	-34.0%	-34.0%	-32.2%	-31.0%
(Reference) FY3/2023 actual results	170,631	15,714	8,914	8,834	3,831	94.92

The current consolidated fiscal year started with a stagnation in production activity in the manufacturing industry as a whole due to the impact of the global economic slowdown that has continued since last year.

The business plan for FY3/2024 under review has assumed that human resources would gradually recover in the first half of the fiscal year, and that strong demand would continue from the second half onwards.

However, regarding first-half results, the number of technical employees at the end of September 2023 was lower than planned due to weaker-than-expected demand trends, mainly from semiconductor-related customer companies. In addition, the current demand trends from the third quarter onward are suggesting that it is likely to take some time for a full-fledged recovery, and that a significant deviation from the FY3/2024 business plan is likely to happen. In light of these circumstances, while UT Group is steadily making strategic investments such as building a system for hiring 2,000 employees per month for further business growth, we are curbing costs such as hiring-related expenses and personnel expenses by reviewing personnel plans. However, these efforts will not be sufficient enough to compensate for the decline in gross profit caused by the decline in sales mentioned above. We have therefore revised our forecast for EBITDA downward by 5.3 billion yen from the previous forecast.

Given the delay in the current recovery in demand, the ongoing Fourth Medium-Term Business Plan is also being reviewed, which may include to push back the targets for FY3/2025, the final year of the Business Plan. Details will be promptly disclosed as soon as they are finalized.

2. Quarterly Consolidated Financial Statements and Significant Notes

(1) Quarterly Consolidated Balance Sheets

(Million yen)

	As of March 31, 2023	As of September 30, 2023
Assets		
Current assets		
Cash and deposits	31,969	29,387
Notes and accounts receivable - trade	21,851	20,926
Merchandise and finished goods	13	13
Work in process	7	28
Raw materials and supplies	84	96
Other	1,992	1,906
Allowance for doubtful accounts	(133)	(195)
Total current assets	55,784	52,162
Non-current assets		
Property, plant and equipment	1,309	1,284
Intangible assets		
Goodwill	5,414	5,871
Leased assets	2	1
Software	1,935	2,060
Other	3,452	3,539
Total intangible assets	10,804	11,474
Investments and other assets		
Investment securities	1,033	7
Long-term loans receivable	11	9
Long-term prepaid expenses	169	138
Deferred tax assets	2,001	1,989
Other	516	450
Allowance for doubtful accounts	(1)	(7)
Total investments and other assets	3,731	2,588
Total non-current assets	15,846	15,347
Total assets	71,630	67,509

(Million yen)

	As of March 31, 2023	As of September 30, 2023
Liabilities		
Current liabilities		
Notes and accounts payable - trade	246	191
Short-term borrowings	403	1,086
Current portion of long-term borrowings	3,589	3,525
Accounts payable - other	1,783	1,601
Accrued expenses	8,879	9,356
Lease liabilities	10	11
Income taxes payable	4,112	2,213
Accrued consumption taxes	4,215	2,456
Provision for bonuses	2,558	2,290
Provision for bonuses for directors (and other officers)	77	1
Deposits received	1,897	3,028
Other	128	127
Total current liabilities	27,903	25,891
Non-current liabilities		
Long-term borrowings	12,400	9,425
Lease liabilities	17	18
Retirement benefit liability	772	694
Deferred tax liabilities	554	476
Other	53	53
Total non-current liabilities	13,798	10,668
Total liabilities	41,702	36,560
Net assets		
Shareholders' equity		
Share capital	686	693
Capital surplus	338	345
Retained earnings	21,430	24,966
Treasury shares	(0)	(2,817)
Total shareholders' equity	22,454	23,187
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	(0)	0
Foreign currency translation adjustment	297	476
Total accumulated other comprehensive income	297	477
Share acquisition rights	6,161	6,157
Non-controlling interests	1,014	1,126
Total net assets	29,928	30,949
Total liabilities and net assets	71,630	67,509

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

(Million yen)

	For the Six Months ended September 30,2022	For the Six Months ended September 30,2023
Net sales	84,284	82,203
Cost of sales	67,990	67,197
Gross profit	16,293	15,005
Selling, general and administrative expenses	9,449	9,764
Operating profit	6,844	5,241
Non-operating income		
Interest income	3	8
Foreign exchange gains	42	—
Subsidies for employment adjustment	39	67
Dividend income of insurance	0	0
Surrender value of insurance policies	0	29
Refund income	12	—
Other	49	19
Total non-operating income	149	125
Non-operating expenses		
Interest expenses	48	68
Foreign exchange losses	—	33
Commission expenses	3	32
Loss on valuation of derivatives	38	10
Share of loss of entities accounted for using equity method	89	—
Other	36	3
Total non-operating expenses	216	148
Ordinary profit	6,777	5,218
Extraordinary income		
Gain on sale of non-current assets	—	1
Gain on sale of shares of subsidiaries and associates	—	528
Gain on reversal of share acquisition rights	0	—
Total extraordinary income	0	529
Extraordinary losses		
Loss on retirement of non-current assets	1	0
Loss on sale of non-current assets	3	0
Loss on termination of retirement benefit plan	—	13
Settlement payments	—	75
Restructuring cost	71	—
Loss on COVID19	3	—

	For the Six Months ended September 30,2022	For the Six Months ended September 30,2023
Total extraordinary losses	79	88
Profit before income taxes	6,697	5,659
Income taxes	2,128	2,025
Profit	4,568	3,633
Profit attributable to non-controlling interests	127	97
Profit attributable to owners of parent	4,440	3,536

(Quarterly Consolidated Statements of Comprehensive Income)

(Million yen)

	For the Six Months ended September 30,2022	For the Six Months ended September 30,2023
Profit	4,568	3,633
Other comprehensive income		
Valuation difference on available-for-sale securities	(0)	0
Foreign currency translation adjustment	298	226
Share of other comprehensive income of entities accounted for using equity method	(0)	0
Total other comprehensive income	298	227
Comprehensive income	4,867	3,860
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	4,661	3,716
Comprehensive income attributable to non-controlling interests	205	144

(3) Quarterly Consolidated Statements of Cash Flows

(Million yen)

	For the Six Months ended September 30,2022	For the Six Months ended September 30,2023
Cash flows from operating activities		
Profit before income taxes	6,697	5,659
Depreciation	369	458
Amortization of goodwill	213	352
Commission expenses	3	32
Increase (decrease) in allowance for doubtful accounts	52	67
Increase (decrease) in provision for bonuses	180	(273)
Increase (decrease) in provision for bonuses for directors (and other officers)	(11)	(75)
Interest and dividend income	(3)	(8)
Interest expenses	48	68
Share of loss (profit) of entities accounted for using equity method	89	—
Loss on retirement of non-current assets	1	0
Loss (gain) on sale of shares of subsidiaries and associates	—	(528)
Decrease (increase) in trade receivables	(705)	1,120
Decrease (increase) in prepaid expenses	(606)	(9)
Decrease (increase) in inventories	(9)	(31)
Decrease (increase) in long-term prepaid expenses	(182)	32
Increase (decrease) in trade payables	(74)	(57)
Increase (decrease) in accrued consumption taxes	(819)	(1,783)
Increase (decrease) in accounts payable - other	250	43
Increase (decrease) in accrued expenses	(16)	428
Increase (decrease) in deposits received	(952)	1,129
Other, net	334	(73)
Subtotal	4,859	6,551
Interest and dividends received	4	8
Interest paid	(49)	(67)
Income taxes refund (paid)	158	(3,895)
Net cash provided by (used in) operating activities	4,973	2,597

	For the Six Months ended September 30,2022	For the Six Months ended September 30,2023
Cash flows from investing activities		
Purchase of property, plant and equipment	(57)	(24)
Purchase of intangible assets	(1,533)	(830)
Payment of conditional acquisition consideration for subsidiary shares	—	(687)
Proceeds from sale of shares of subsidiaries and associates	—	1,555
Proceeds from maturity of insurance funds	—	85
Net decrease (increase) in short-term loans receivable	(8)	2
Decrease (increase) in guarantee deposits	0	16
Other, net	6	1
Net cash provided by (used in) investing activities	(1,592)	120
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	116	557
Repayments of long-term borrowings	(1,884)	(3,039)
Proceeds from issuance of shares resulting from exercise of share acquisition rights	—	9
Purchase of treasury shares	(0)	(2,817)
Dividends paid	(982)	(0)
Dividends paid to non-controlling interests	(26)	(60)
Other, net	(10)	(38)
Net cash provided by (used in) financing activities	(2,787)	(5,389)
Effect of exchange rate change on cash and cash equivalents	25	89
Net increase (decrease) in cash and cash equivalents	618	(2,582)
Cash and cash equivalents at beginning of period	25,827	31,969
Cash and cash equivalents at end of period	26,445	29,387

(4) 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. First half of FY3/2023 (from April 1, 2022 to September 30, 2022)

(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 13, 2022	Common stock	968	24.00	March 31, 2022	June 27, 2022	Retained earnings

Note: The dividend per share is comprised of 24.00 yen in ordinary dividend.

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

Not applicable

2. First half of FY3/2024 (from April 1, 2023 to September 30, 2023)

(1) Items concerning dividend

Not applicable

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

Based on the resolution of the Board of Directors' meeting held on May 15, 2023, the Company acquired 1,047,100 shares of its common shares. As a result, including the repurchase of shares less than one unit, treasury shares increased by 2,817 million yen in the first half of FY3/2024, reaching 2,817 million yen at the end of the first half of FY3/2024.

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

(Calculation of tax expenses)

Taxes are calculated by multiplying profit before income taxes 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, 2023 including the second 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.

(Segment Information)

I For the Six-Month Period of FY3/2023 (from April 1, 2022 to September 30, 2022)

1. Sales and profit (loss) by segment (Million yen)

	Reportable Business Segments						Adjustment amount[1]	Amounts on the consolidated statements[2]
	Manufacturing Business	Area Business	Solution Business	Engineering Business	Oversea Business	Total		
Sales								
Dispatching	32,938	21,738	4,945	4,140	2,760	66,523	—	66,523
Contracting	7,180	2,817	4,277	271	1,526	16,073	—	16,073
Other	1,223	336	32	91	3	1,686	—	1,686
Revenue from contracts with customers	41,342	24,892	9,255	4,503	4,290	84,284	—	84,284
Sales to clients	41,342	24,892	9,255	4,503	4,290	84,284	—	84,284
Inter-segment sales or transfers	3	10	—	—	—	13	(13)	—
Total	41,345	24,903	9,255	4,503	4,290	84,298	(13)	84,284
Segment profit	5,328	895	65	487	80	6,857	(13)	6,844

Notes: (1) Adjustment to segment profit of -13 million 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

Not applicable

II For the Six-Month Period of FY3/2024 (from April 1, 2023 to September 30, 2023)

2. Sales and profit (loss) by segment (Million yen)

	Reportable Business Segments						Adjustment amount[1]	Amounts on the consolidated statements[2]
	Manufacturing Business	Area Business	Solution Business	Engineering Business	Oversea Business	Total		
Sales								
Dispatching	25,989	28,267	4,896	4,111	3,653	66,918	—	66,918
Contracting	6,058	2,069	4,037	287	936	13,389	—	13,389
Other	1,023	610	50	157	52	1,895	—	1,895
Revenue from contracts with customers	33,070	30,947	8,985	4,556	4,643	82,203	—	82,203
Sales to clients	33,070	30,947	8,985	4,556	4,643	82,203	—	82,203
Inter-segment sales or transfers	3	14	5	—	—	22	(22)	—
Total	33,074	30,961	8,990	4,556	4,643	82,226	(22)	82,203
Segment profit (loss)	4,014	965	(11)	404	(114)	5,258	(17)	5,241

Notes: (1) Adjustment to segment profit (loss) of -17 million yen is elimination of inter-segment transactions.
(2) Segment profit (loss) 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)

In the Oversea Business segment, Goodwill was newly recorded due to the determination of the total amount of conditional consideration for the acquisition of shares of Green Speed Joint Stock Company in October 2020. And an increase of goodwill regarding this matter was 687 million yen in the first half of FY3/2024.

(Significant Subsequent Events)

Business Combination by Acquisition

At the Board of Directors' meeting of UT Group Co., Ltd. held on October 30, 2023, a resolution was made for UT Group to acquire 51% of shares of Hitachi Ibaraki Technical Service Ltd. and has concluded share transfer contract on the same date.

(1) Summary of business combination

1) Name and business of an acquired company

Name of an acquired company	Hitachi Ibaraki Technical Service Ltd.
Business	Outsourcing services and worker dispatch business for design and manufacturing of electrical machinery and equipment, metal processing products, etc.

2) Major reason of business combination

As a manufacturing subsidiary of Hitachi, Ltd., Hitachi Ibaraki Technical Service, which will be acquired at this time, has outstanding know-how and reliable technology, and provides contracting services and worker dispatch services for design and manufacturing of electrical machinery and equipment and processed metal products. The company has approximately 650 employees and supports manufacturing of Hitachi, Ltd. and the Hitachi Group in the energy, industrial and mobility fields.

Since UT's acquisition of all shares of Mito Engineering Service Co., Ltd. (currently UT MESC Co., Ltd.) from the Hitachi Group in July 2020, the Hitachi Group and the UT Group have deepened their cooperation. We resolved to acquire 51% of outstanding shares with judgment this acquisition of shares will let the strengths and know-how of both groups be further integrated, so that UT will closely follow the changing needs of clients with the changing times. And, as a career platform company that can respond to the desires and interests of more and more workers, UT will continue to contribute to the resolution of major social issues such as structural changes in human resource utilization, as needed at the present time and as envisioned over the medium term.

3) Date of business combination

March 31, 2024 (Deemed acquisition date)

March 1, 2024 (Share acquisition date)

4) Legal form of business combination

Share acquisition with cash as consideration

5) Company name after business combination

UT HITES Co., Ltd.

6) Percentage of voting rights to be acquired

51%

7) Primary basis for determining the acquired company

It is for UT Group will acquire shares of the company by using cash.

(2) Acquisition cost and breakdown by the type of considerations

Under the confidentiality obligation in the transfer agreement, we are required to not disclose this information.

(3) Major expenses and their amount related to the acquisition

Advisory fees, etc. 22 million yen (estimated amount)

(4) Amount of goodwill, its reasons, and amortization method and period

They have not yet been fixed.

(5) Amounts and breakdown of assets and liabilities to be assumed at the time of business combination

They have not yet been fixed.