(Note) This is the English translation of the “Financial Results Briefing Video” posted on the UT Group website. In the event of any discrepancy between this translation and the Japanese original, the original shall prevail.

Upward Together

1Q of Fiscal Year Ending March 31, 2024

Financial Results

August 10, 2023

UT Group Co., Ltd.

Securities Code: 2146(TSE Prime Market)

FY3/2024 1Q Financial Results

Summary of Statement of Income

[million yen]

	1Q of FY3/2023		1Q of FY3/2024		Y-o-Y change	
	Results	% to net sales	Results	% to net sales	Amount	%
Net sales	**41,567**	100.0%	**41,220**	100.0%	-346	-0.8%
Gross profit	**7,972**	19.2%	**7,722**	18.7%	-250	-3.1%
SG&A expenses	**4,631**	11.1%	**4,929**	12.0%	+298	+6.4%
EBITDA	**3,614**	8.7%	**3,248**	7.9%	-366	-10.1%
Operating profit	**3,341**	8.0%	**2,792**	6.8%	-548	-16.4%
Ordinary profit	**3,249**	7.8%	**2,753**	6.7%	-496	-15.3%
Net profit attributable to UT Group	**2,105**	5.1%	**1,956**	4.7%	-149	-7.1%
EPS (yen)	**52.17**	—	**48.57**	—	-3.60	-6.9%
No. of Tech employees (Domestic)	**32,153**	—	**31,664**	—	-489	-1.5%
No. of Tech employees (Overseas)	**13,982**	—	**13,078**	—	-904	-6.5%

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

In 1Q of FY3/2024, UT Group recorded sales of ¥41.2 billion, operating profit of ¥2.79 billion, and EBITDA of ¥3.24 billion. Both sales and operating profit decreased year-on-year.

Reasons for the decrease were:
1) Demand for dispatched workers at clients in semiconductors and electronics had not fully recovered. We are cautiously expecting the full recovery to be unlikely throughout the year.
2) 2) We saw a sporadic recovery in demand by automotive-related clients and are expecting a recovery from 3Q onward.

Although it will take some time for demand in electronics sector to recover, certain electronics clients appear to show a faster recovery, so we will now focus on these areas.

Contrary to the time of the global financial crisis of around 2008 when we suffered from many cancellations, we are not experiencing major cancellations at this time. What is now happening is a slowdown in the anticipated sales growth, due to weaker demand, which we cautiously expect to persist perhaps up to the end of 2Q.

FY3/2024 1Q Financial Results

Consolidated Balance Sheets

[million yen]

	March 31, 2023		June 30, 2023		Change from the end of the previous FY	
	Results	% to total assets	Results	% to total assets	Amount	%
Current assets	55,784	77.9%	51,330	77.0%	-4,453	-8.0%
Cash and deposits	31,969	44.6%	26,181	39.3%	-5,788	-18.1%
Notes and accounts receivable – trade	21,851	30.5%	21,066	31.6%	-784	-3.6%
Non-current assets	15,846	22.1%	15,350	23.0%	-495	-3.1%
Property, plant and equipment	1,309	1.8%	1,293	1.9%	-15	-1.2%
Intangible assets	10,804	15.1%	11,355	17.0%	+550	+5.1%
Goodwill	5,414	7.6%	5,866	8.8%	+452	+8.4%
Investments and other assets	3,731	5.2%	2,701	4.1%	-1,030	-27.6%
Total assets	71,630	100.0%	66,680	100.0%	-4,949	-6.9%
Current liabilities	27,903	39.0%	23,975	36.0%	-3,928	-14.1%
Short-term borrowings and Current portion of long-term borrowings	3,993	5.6%	4,447	6.7%	+454	+11.4%
Current liabilities	13,798	19.3%	11,617	17.4%	-2,180	-15.8%
Long-term borrowings	12,400	17.3%	10,360	15.5%	-2,040	-16.5%
Net assets	29,928	41.8%	31,087	46.6%	+1,159	+3.9%
Shareholders' equity	22,454	31.3%	23,589	35.4%	+1,135	+5.1%
Share acquisition rights	6,161	8.6%	6,161	9.2%	0	0.0%
Total liabilities and net assets	71,630	100.0%	66,680	100.0%	-4,949	-6.9%
Gross debt/equity ratio	0.7	—	0.6	—	—	—

Current assets
- Decrease in cash and deposits

Non-current assets
- Increase in goodwill
- Decrease in investment securities

Current liabilities
- Decrease in income taxes payable and accrued consumption taxes
- Decrease in provision for bonuses

Non-current liabilities
- Decrease in long-term borrowings

Net assets
- Recognition of net profit attributable to owners of the parent
- Share buybacks as shareholder returns
- Equity ratio 35.8% (31.8% as of March 31, 2023)

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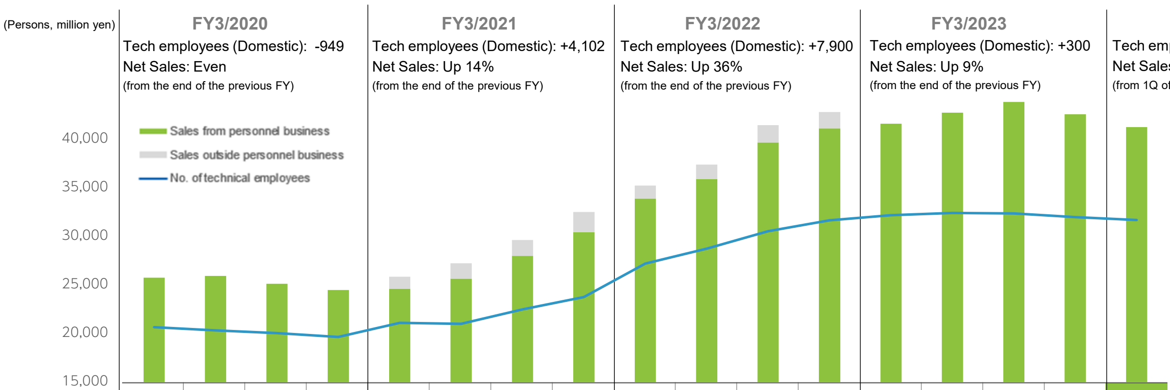
We believe the balance sheet is important to check the safety of operations, especially because we are engaged in M&A activities from time to time.

Our balance sheet is quite simple. As of June 30, we had ¥26.1 billion in cash and equivalent and around ¥15.0 billion in long-term and short-term debts. On a net basis, we virtually have no debt.

Goodwill amounted to ¥6.0 billion. Based on the J-GAAP, we amortize goodwill fairly and, when possible, aggressively.

FY3/2024 1Q Financial Results

Quarterly Changes in Sales and Number of Technical Employees



	FY3/2020				FY3/2021				FY3/2022				FY3/2023				FY3/2024
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	**1Q**
Net Sales	25,731	25,907	25,097	24,455	25,829	27,215	29,601	32,484	35,215	37,363	41,416	42,774	41,567	42,717	43,807	42,539	**41,220**
EBITDA	1,795	2,344	2,253	2,211	1,936	1,934	2,431	1,694	1,572	1,317	2,481	2,129	3,614	3,812	4,655	3,632	**3,248**
EBITDA%	7.0%	9.1%	9.0%	9.0%	7.5%	7.1%	8.2%	5.2%	4.5%	3.5%	6.0%	5.0%	8.7%	8.9%	10.6%	8.5%	**7.9%**
Technical employees (Domestic)	20,640	20,302	20,026	19,634	21,090	20,985	22,465	23,736	27,177	28,720	30,516	31,636	32,153	32,397	32,341	31,936	**31,664**
Technical employees (Overseas)	-	-	-	-	-	-	-	13,276	12,571	12,456	9,562	13,750	13,982	13,091	14,208	13,594	**13,078**

We began the Fourth Medium-term Business Plan in FY3/2021. Our official target for FY3/2025, the final year, is EBITDA of over ¥25 billion, while internally we aim at ¥30 billion.

Sales growth is indispensable to achieve these targets. As you can see in the slide, we had steadily accumulated sales for the past few years but had a little setback caused mainly by natural attrition in the recent two quarters but no major cancellation.

A recovery is expected from 2H onward. We are focusing on establishing a solid internal system that can hire 2,000 per month during 1H. Our plan is to reach 2,000 hires per month within 3Q. We believe this is a requisite for achieving the medium-term target.

We take the current weak demand as an opportunity to review our operation targets and visualize what our services should be to raise competitiveness. We seek to raise hiring efficiency so that we can hire 2,000 while maintaining the current hiring cost at the rate for 1,500 hires per month.

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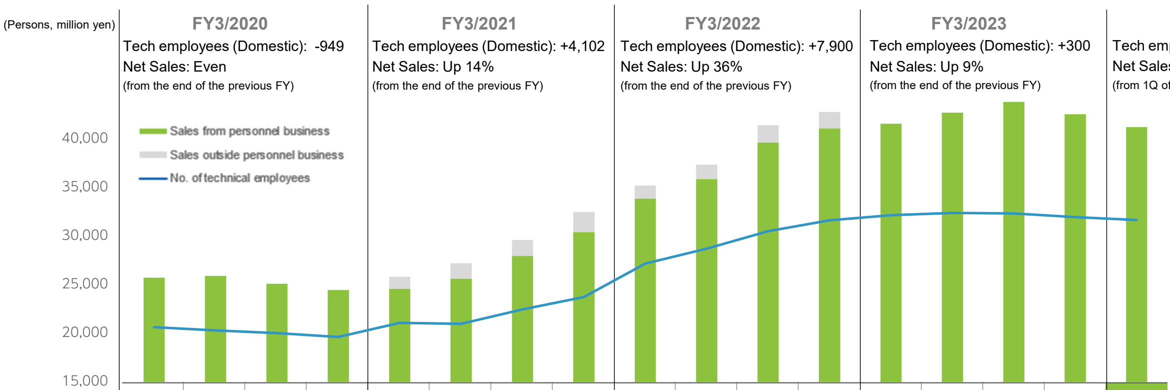
FY3/2024 1Q Financial Results

Quarterly Changes in Sales and Number of Technical Employees



	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	**1Q**
Net Sales	25,731	25,907	25,097	24,455	25,829	27,215	29,601	32,484	35,215	37,363	41,416	42,774	41,567	42,717	43,807	42,539	**41,220**
EBITDA	1,795	2,344	2,253	2,211	1,936	1,934	2,431	1,694	1,572	1,317	2,481	2,129	3,614	3,812	4,655	3,632	**3,248**
EBITDA%	7.0%	9.1%	9.0%	9.0%	7.5%	7.1%	8.2%	5.2%	4.5%	3.5%	6.0%	5.0%	8.7%	8.9%	10.6%	8.5%	**7.9%**
Technical employees (Domestic)	20,640	20,302	20,026	19,634	21,090	20,985	22,465	23,736	27,177	28,720	30,516	31,636	32,153	32,397	32,341	31,936	**31,664**
Technical employees (Overseas)	-	-	-	-	-	-	-	13,276	12,571	12,456	9,562	13,750	13,982	13,091	14,208	13,594	**13,078**

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Back in FY3/2020, when the COVID-19 pandemic occurred, UT Group had about 20,000 technical employees. Then we worked hard to grow the number of dispatched workers to about 23,000 by the end of FY3/2021. In FY3/2022, we further increased the workforce to 30,000. In FY3/2023, we focused on solidly generating profits from operations by the expanded workforce.

Now in FY3/2024, we aim at making one step further, namely to grow the workforce. In terms of EBITDA, we were able to generate ¥40 billion per quarter, almost doubling the amount in two years.

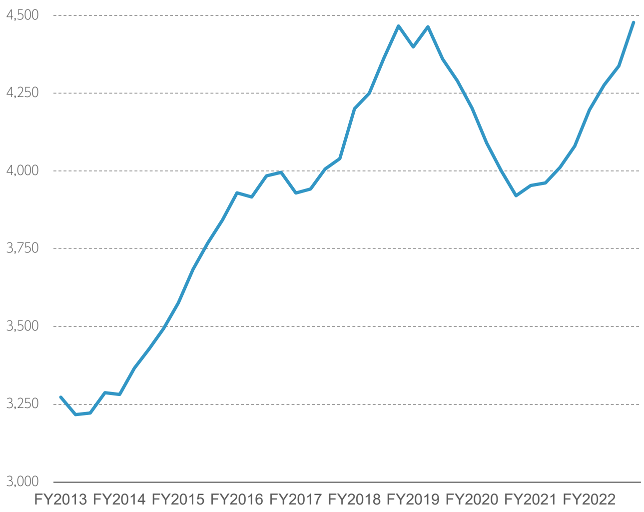
In the meantime, however, UT Group's share price has been hovering around at the same level. I wonder if the stock price may have incorporated the current weakness in growth. In the past, the dispatching industry was regarded as cyclical, which however is no longer true for UT Group.

Although sales growth is being somewhat delayed at the moment, I am confident of the future demand recovery and the potential growth for UT Group. I want to emphasize that we can earn ¥8-10 billion in net income. Funded by our strong cash generation ability, we are making sure to keep on investing in satisfying our technical employees. Investments will include training for employees, so as to raise their individual ability and value.
We are eager to do whatever we can to get prepared for our next growth stage. I hope you will look at and expect for our long-term growth potential.

Business Environment and Business Opportunities for UT Group

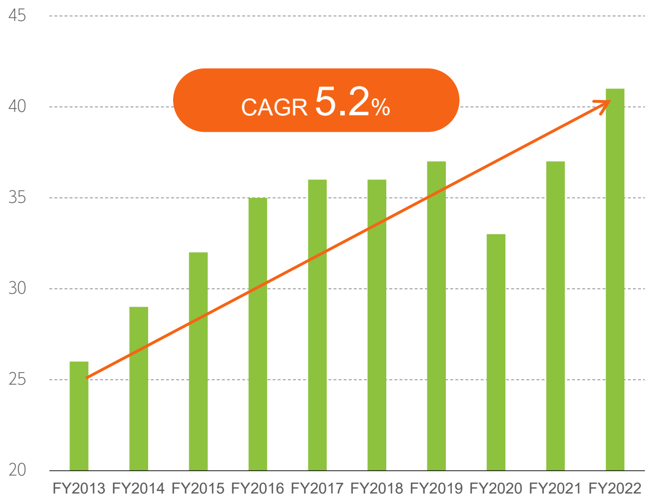
Japan’s Capex Growth Expanded the Manufacturing Dispatch Market

[redacted]



Source: Ministry of Finance

[redacted]



Source: Ministry of Internal Affairs and Communications

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Let me now touch on Japan’s manufacturing dispatch industry situation. When client companies’ capital expenditures grow, the need for dispatched workers also grows. Some noteworthy examples of their capex plans include device makers’ plan to build big semiconductor factories in Kyushu and Tohoku. Electronics makers in general are expected to make aggressive investments. Accordingly, we expect demand for dispatched workers to grow. As we have the largest share in manufacturing dispatch, we intend to firmly capture the growth of demand.

Japan’s manufacturing dispatch market has grown by 5.2% per year in the past 10 years. Currently 400,000 dispatched workers work in manufacturing plants, representing roughly 10% of the 4-5 million workers in manufacturing. Moreover, the share of dispatched workers is expected to increase in the future. This is because manufacturing companies now have less economic rationale to employ regular workers. Secondly, workers’ preferences have changed, especially after the COVID-19 pandemic. They seem to become less willing to be employed for the same work of the same company for a long time.

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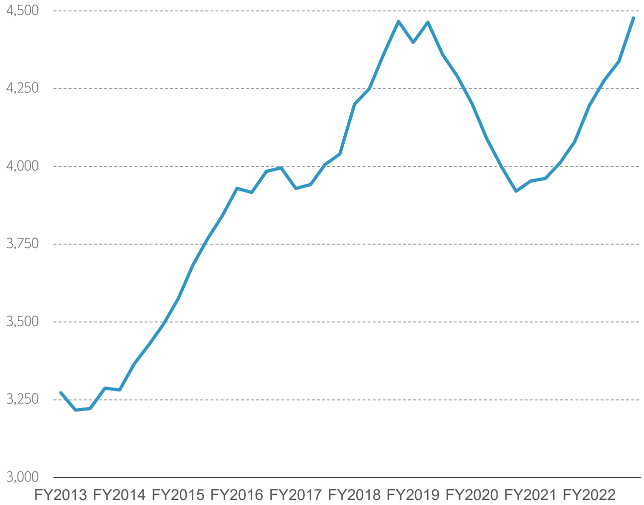
Business Environment and Business Opportunities for UT Group

Japan’s Capex Growth Expanded the Manufacturing Dispatch Market

[redacted]



Source: Ministry of Finance

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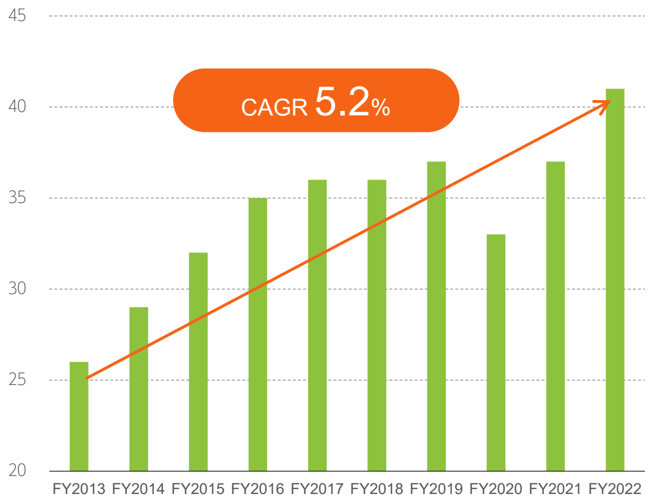

Source: Ministry of Internal Affairs and Communications

So, in the growing manufacturing dispatch market, the key point is how to raise UT Group’s share in light of these conditions.

In other words, how much work projects can we carry on and how much contact points can we have with the labor market? From the clients’ perspective, a key to choose a dispatching company is the number of dispatched workers the company can provide. From the workers’ perspective, a key is the availability of diverse workplaces to choose from and do so from among many good workplaces of large companies.

We are therefore making efforts to create high-standard, better workplaces together with client companies.

UT Group's Competitive Advantages

UT Characteristics: High Growth and High Efficiency (Compared to the four listed peers)

Growth	Efficiency	Stability
Sales growth (Five-year CAGR)	EBITDA margin	D/E ratio
15.9%	9.2%	0.7

	Sales growth: A Co.	B Co.	C Co.	D Co.	EBITDA margin: A Co.	B Co.	C Co.	D Co.	D/E ratio: A Co.	B Co.	C Co.	D Co.
	24.5%	7.6%	8.9%	7.8%	5.1%	5.6%	2.9%	3.8%	2.4	1.6	1.0	9.3

EPS growth (Five-year CAGR)	EVA spread (ROIC-WACC)	Goodwill to equity ratio
20.6% ※	14.6% ※	24.1%

	EPS growth: A Co.	B Co.	C Co.	D Co.	EVA spread: A Co.	B Co.	C Co.	D Co.	Goodwill to equity: A Co.	B Co.	C Co.	D Co.
	5.3%	-6.9%	4.7%	-14.0%	-2.2%	0.9%	-0.9%	0.4%	119.9%	11.4%	6.0%	0.0%

※ Calculated by using actual EPS or NOPAT, which excluded the impact of no cash-out stock-based compensation expenses

Source: Calculated by UT by using the Quick FACTSET figures of the recent fiscal year-end figures for each company

Let's look at UT Group's performance in the past five years. We achieved CAGR of 15.9% in sales and of 20.6% in real EPS. Please note that stock-based compensation expenses were excluded for calculation of EPS here.

Higher sales tend to make it easier to raise efficiency in SG&A expenses. We try to have an operating margin of 10%. Also, UT's EBITDA margin of 9.2% is higher than that of our peers.

In sum, higher profitability and a lean and efficient financial position have enabled UT to generate strong earnings and EBITDA of ¥15 billion in FY3/2023.

Going forward, we are working for sales growth and hence resultant profit growth. The key here is 2,000 monthly hires.

Business Environment and Business Opportunities for UT Group

UT Group’s Competitive Advantage

Hiring	Retaining	Developing	Producing
15,000 applicants/month	700 Career Partners across Japan	4 facilities to develop SME engineers across Japan	450 employees use the system for transfer to client companies
1,500 hires/month	97% retention rate/month	8% rise in median annual salary	
UT’s internal operation, from creating and producing recruitment ads to application processing, interviews, and assignments, can handle up to 1,500 hires per month.	UT has a high retention rate thanks to Career Partners who support each individual's career development while providing day-to-day consultation on work.	UT has a system that raises salaries according to proficiency, supports career advancement to engineering positions, and develops workers needed by clients.	UT allows clients to directly hire UT’s workers, if necessary, and addresses the human resource issues faced by clients.

UT supports growth of workers and client companies, leveraging UT’s strengths in hiring, high retention rate, and HR development system.

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I’d like to summarize UT Group’s competitive strengths now.

As I already explained, we will raise hiring capacity from the current 1,500 per month to 2,000. Again, this is an important starting point. Then we will show our strength in retaining and developing employees.

Business Environment and Business Opportunities for UT Group

End of Stagnant Demand for Workers

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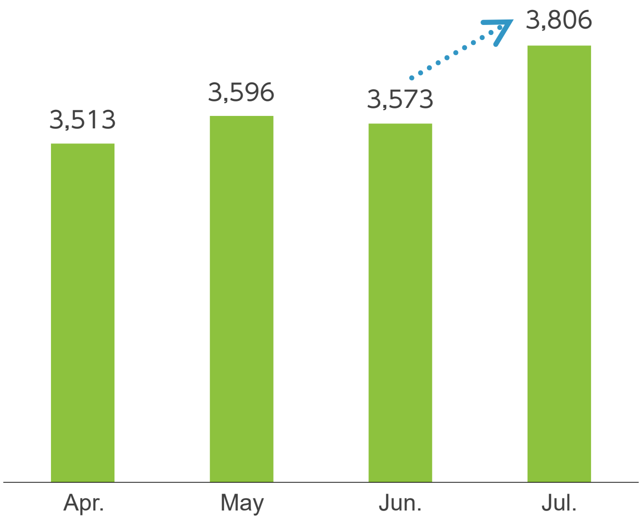

Signs of recovery in workers demand as companies prepare for production recovery

UT further enhances its hiring system to respond to recovery in demand

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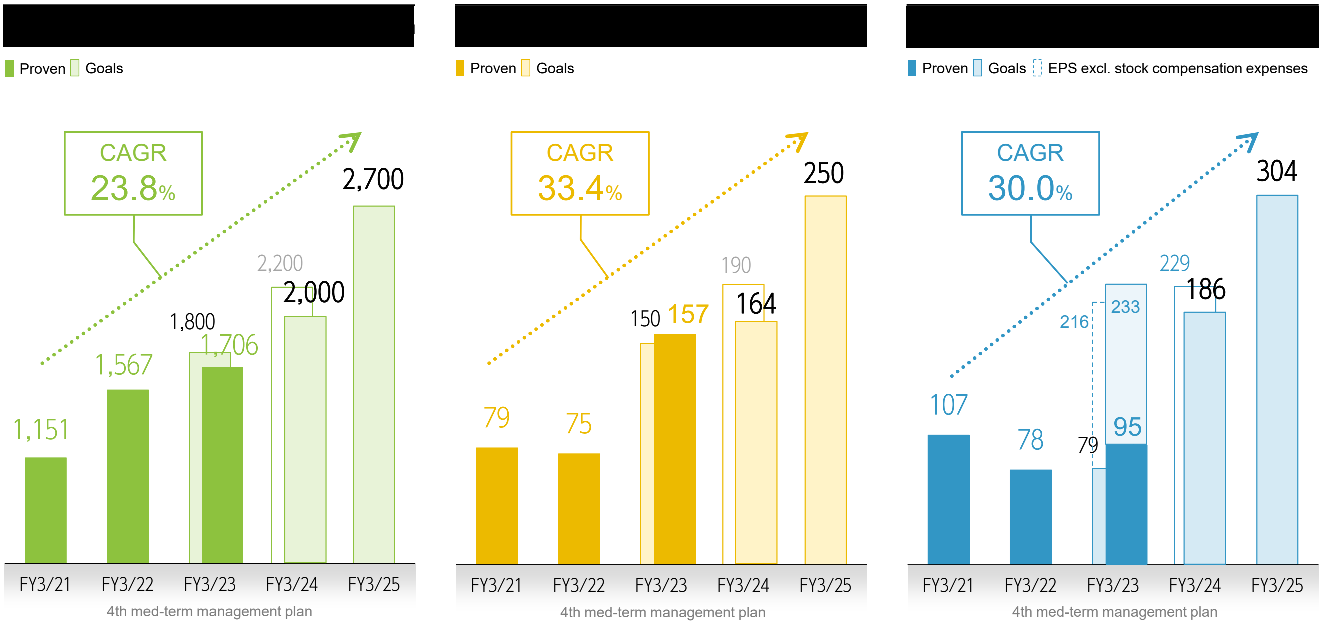
With regard to the immediate situation, we saw a pick-up in automotive-related demand in July. Over the coming few months, we are hoping this uptrend will continue, while we focus on establishing internal strength.

From October, or 3Q onward, we are expecting demand to grow to 4,000-4,500 per month. If we could have a month of 2,000 hires within 3Q, the probability to reach the medium-term business goal would become higher.

Business Environment and Business Opportunities for UT Group

Target of the 4th Medium-Term Business Plan



*1 EBITDA: Operating profit + depreciation (property, plant and equipment + intangible assets) + amortization of goodwill + stock compensation expenses

2 EPS for FY3/2024 and FY3/2025 are fully diluted

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Finally, the goals set for the Fourth Medium-term Business Plan. For FY3/2024, we forecast ¥200 billion in sales and ¥16.4 billion in EBITDA. Then for FY3/2025, our goals are ¥25 billion in EBITDA and ¥304 in EPS. This would translate to CAGR of over 30% in both EBITDA and EPS for the business plan period. Even if demand would not recover strongly, we will review and raise our operational efficiency so as to become more profitable.

I want to assure you that we will make utmost efforts to have high growth up to FY3/2025. Please look forward to our long-term growth.

Thank you for your interest in our company.

<End>

Create vigorous workplaces
empowering workers.

Upward Together

UT Group Co., Ltd.

[Inquiries]

UT Group Co., Ltd.
IR Unit e-mail: ir@ut-g.co.jp