

FY11/2023 **Third Quarter** Supplementary Material on Financial Results

T&S inc.

TSE Growth: 4055

October 13, 2023



T & S

Technology & Service

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Highlights (FY2023/3Q)

(Theme of current term)

Sustainable Growth

1 Record-high revenues continues

(Compared to the previous same quarter)

Net sales	:	2,520 million yen	(Up 7.8% ↑ + 182 million yen)	(YoY)
Operating profit	:	461 million yen	(Up 9.0% ↑ + 37 million yen)	(ditto)
Ordinary profit	:	465 million yen	(Up 7.9% ↑ + 34 million yen)	(ditto)
Quarterly profit	:	326 million yen	(Up 7.7% ↑ + 23 million yen)	(ditto)

2 The semiconductor category remains strong

- Sales in the semiconductor category **increased 17.3%** compared to the previous same quarter, maintaining robust performance while mitigating the impact of the semiconductor market downturn.
- Sales in the solutions category **increased 8.4%** compared to the previous same quarter, driven by the expansion of orders from clients beyond major ones, contributing to a steady trend. Orders for contracted development projects from major customers remained stable.
- Sales in the advanced technology solutions category declined 21.0% compared to the previous same quarter. Despite the decline in net sales caused by the repercussions of a large project recorded in the previous period, the reduction in net sales compared to the same quarter of the previous year has improved when compared to Q2.

3 Operating profit margin increased despite performance-linked bonuses being reserved

- The company will continue its policy of sharing a portion of the Operating profit with employees. A provision of 13 million yen has been recorded for performance-linked bonuses.
- Despite an increase in outsourcing and labor costs, the company achieved an operating profit margin of **18.3%** (which is 0.2 percentage points higher than the same quarter of the previous year).

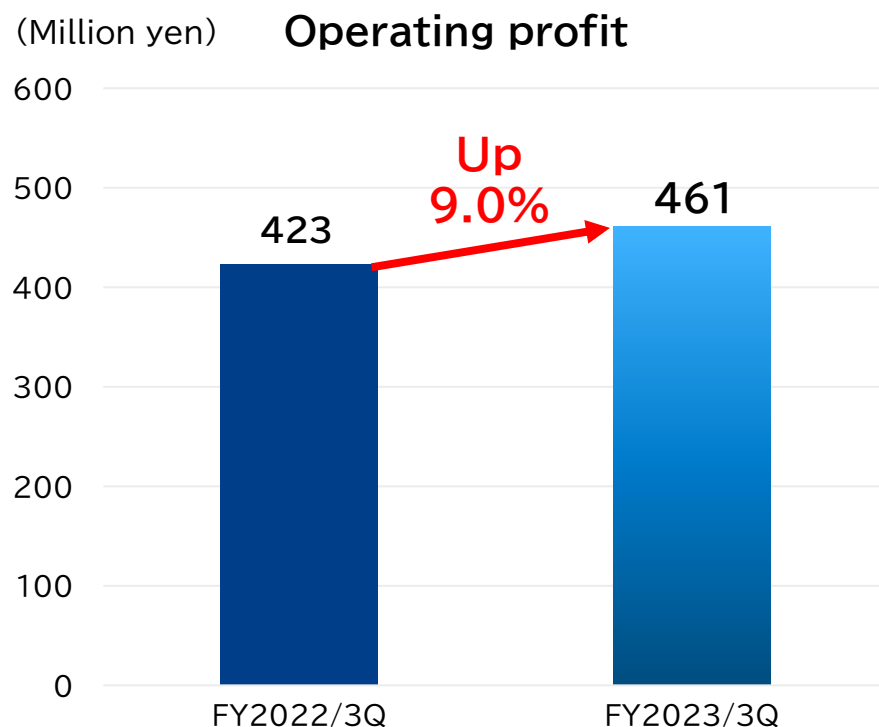
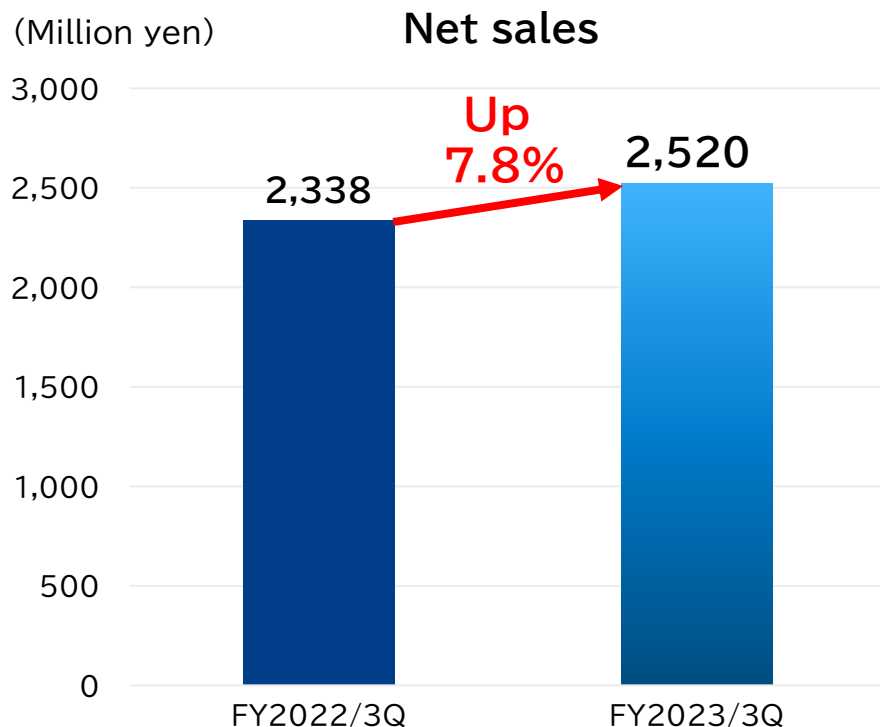
Financial Results Overview

FY11/2023 **Third Quarter**

Financial Results Overview (FY2023/3Q)

Record-high revenues continues (Compared to the previous same quarter)

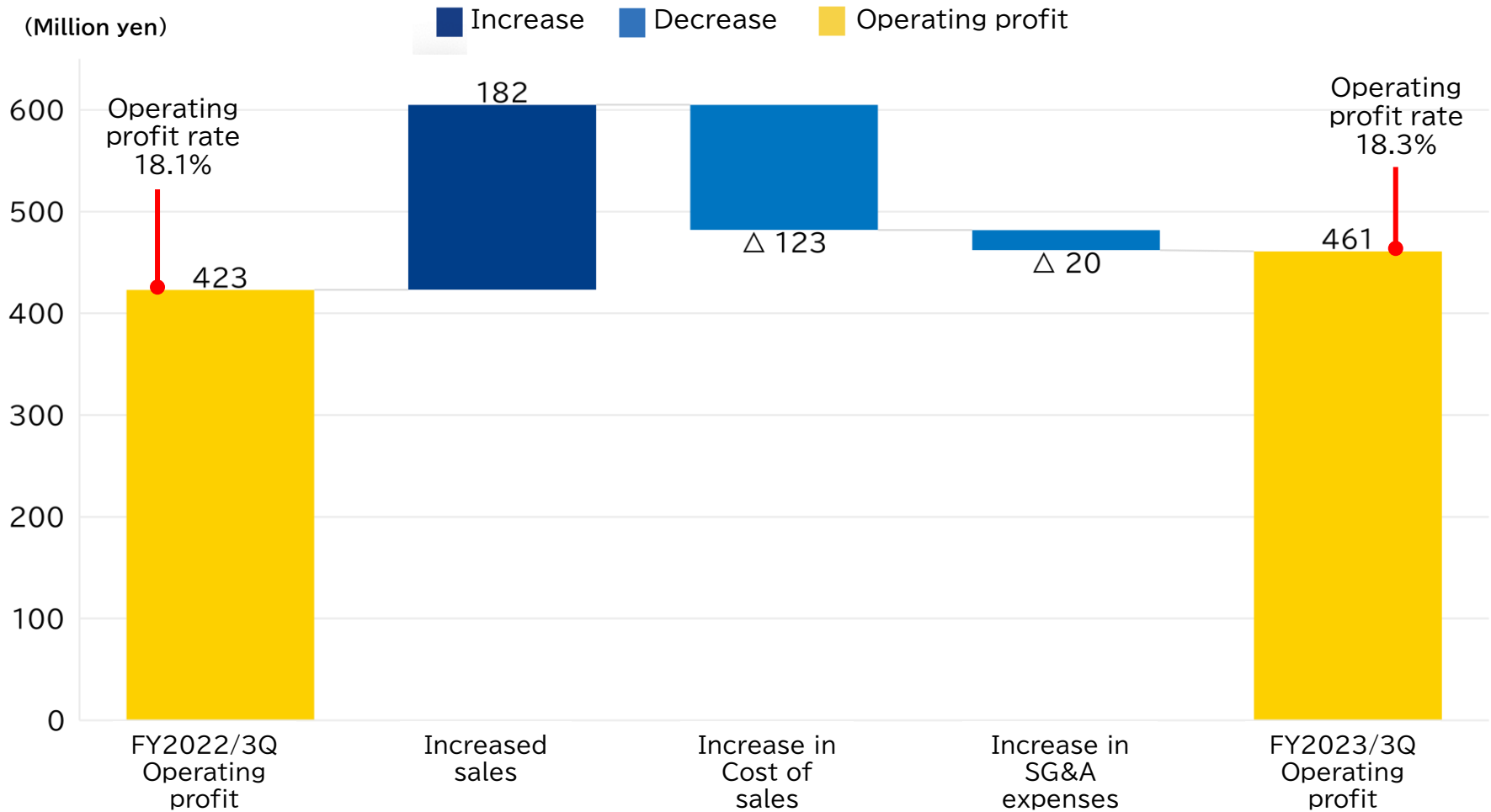
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Operating profit (FY2023/3Q)

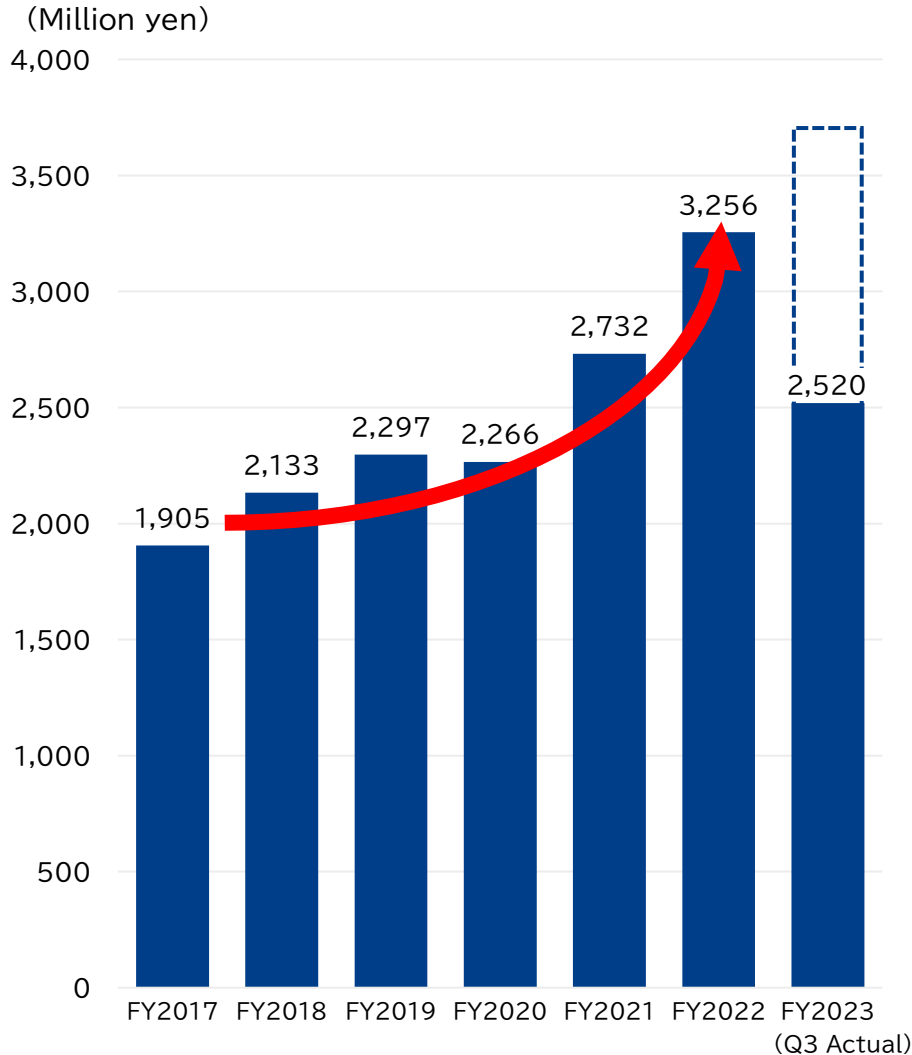
Increased Operating profit by 37 million yen

(Compared to the previous same quarter)

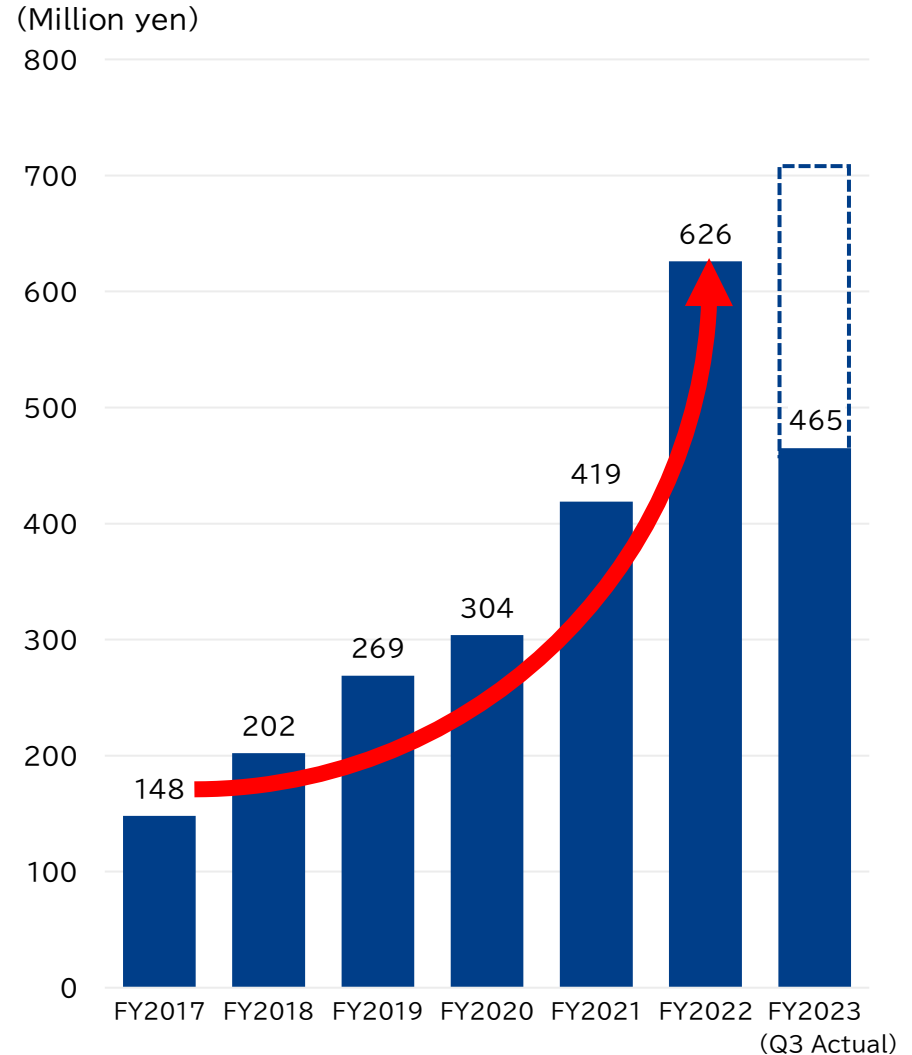


Business Performance

Net sales



Ordinary profit



Net sales by Category (FY2023/3Q)

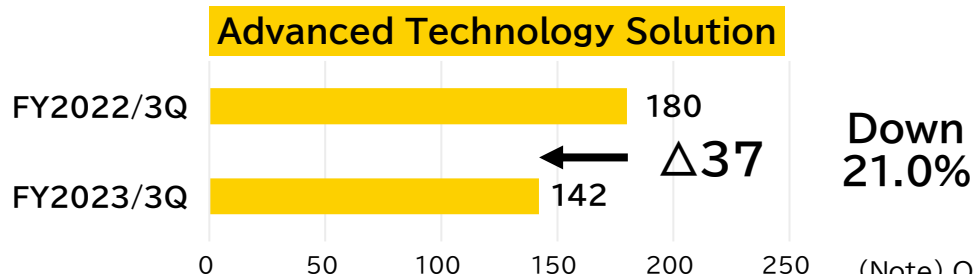
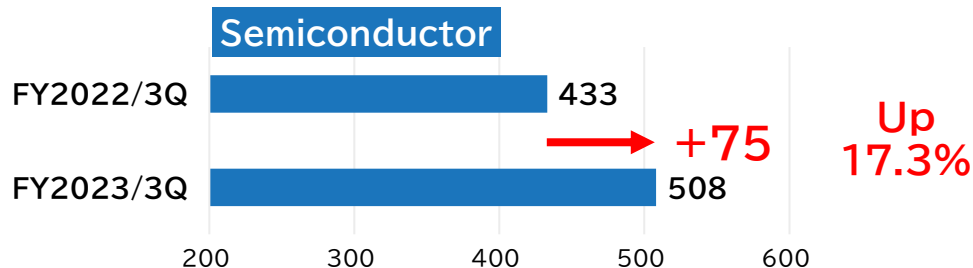
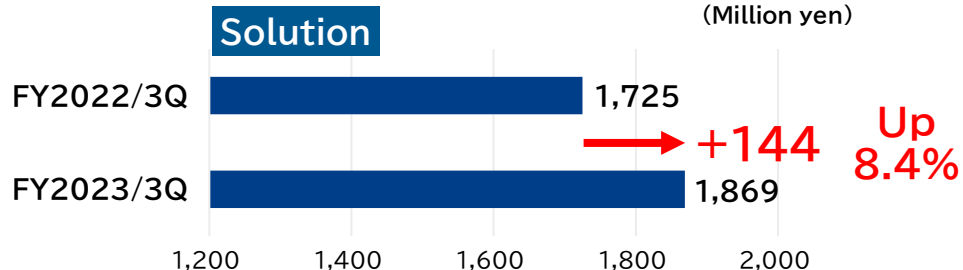
Solutions' business are performing steadily with an **8.4% increase**.
(compared to the previous same quarter)

Semiconductors' business remain strong with an **increase of 17.3%**.
(compared to the previous same quarter)

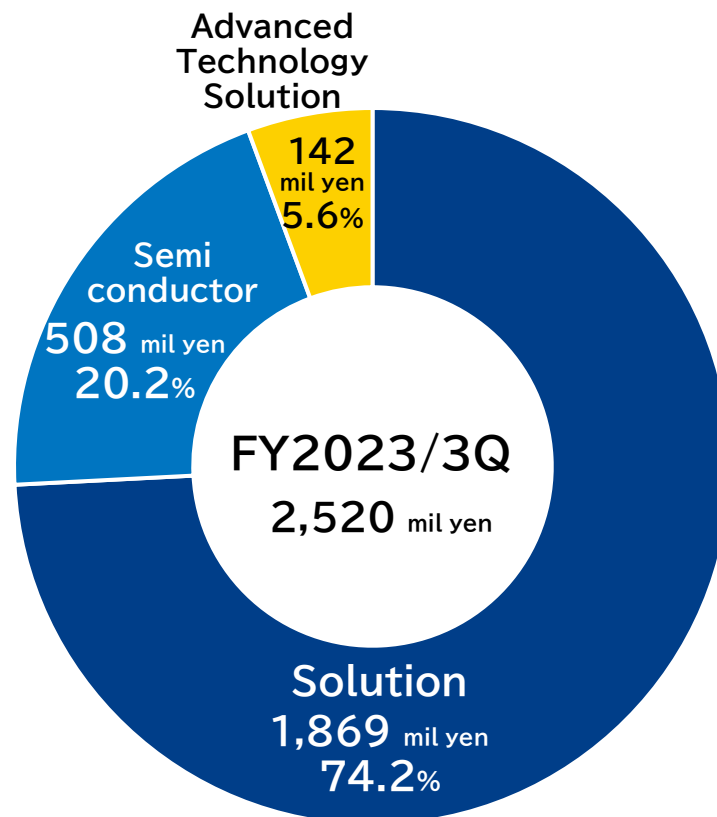
Advanced Technology Solutions' business decreased by **21.0%** in response
(compared to the previous same quarter)
 to the large-scale projects in the previous period.

Net sales (by category)

(Million yen)



Sales proportion (by category)



(Note) Our business segment is a single segment. Only Net sales are calculated by category

Net sales by Customer (FY2023/3Q)

Toshiba G, Hitachi G, Kioxia G

Major customers maintaining steady level
Sales to **KioxiaG** and **Others** increased

(Up 25.3%)

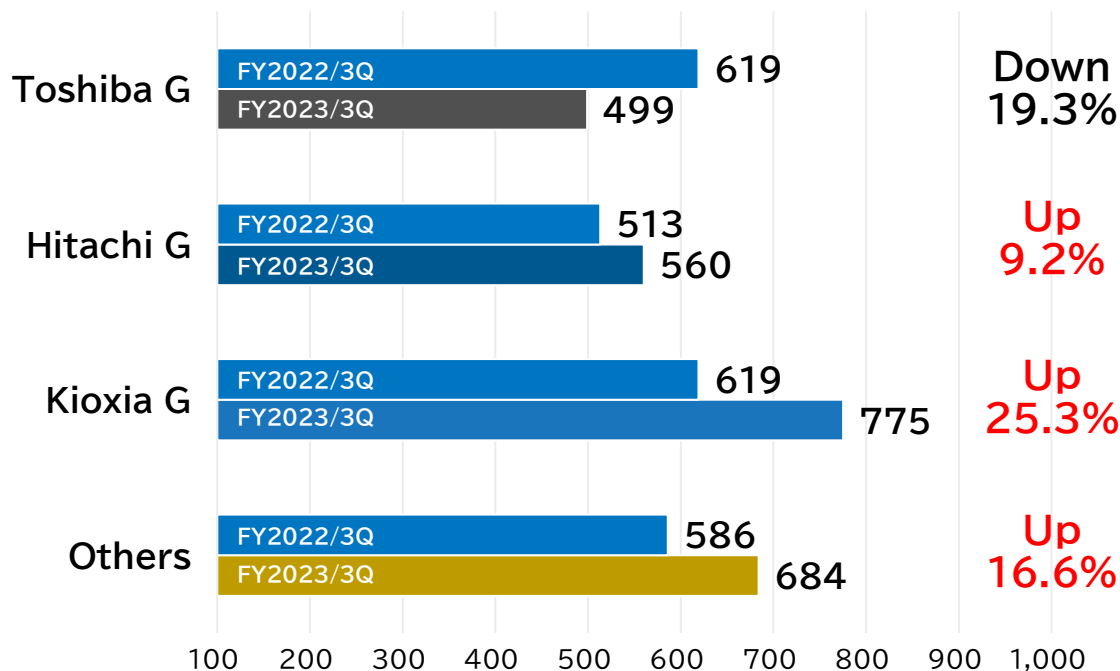
(Up 16.6%)

(compared to the previous same quarter)

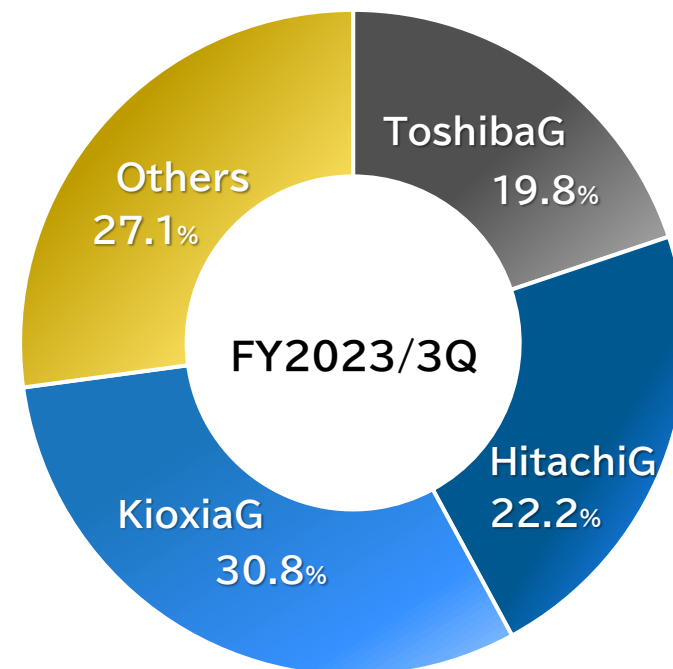
(compared to the previous same quarter)

Net sales (by customer)

(Million yen)



Sales proposition (by customer)

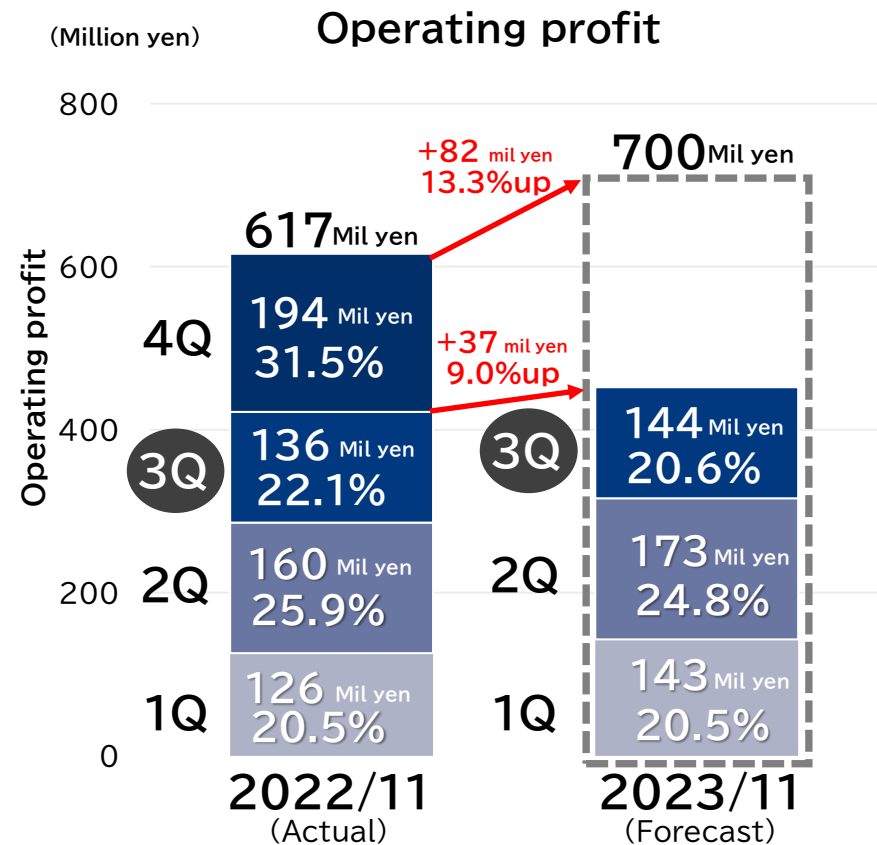
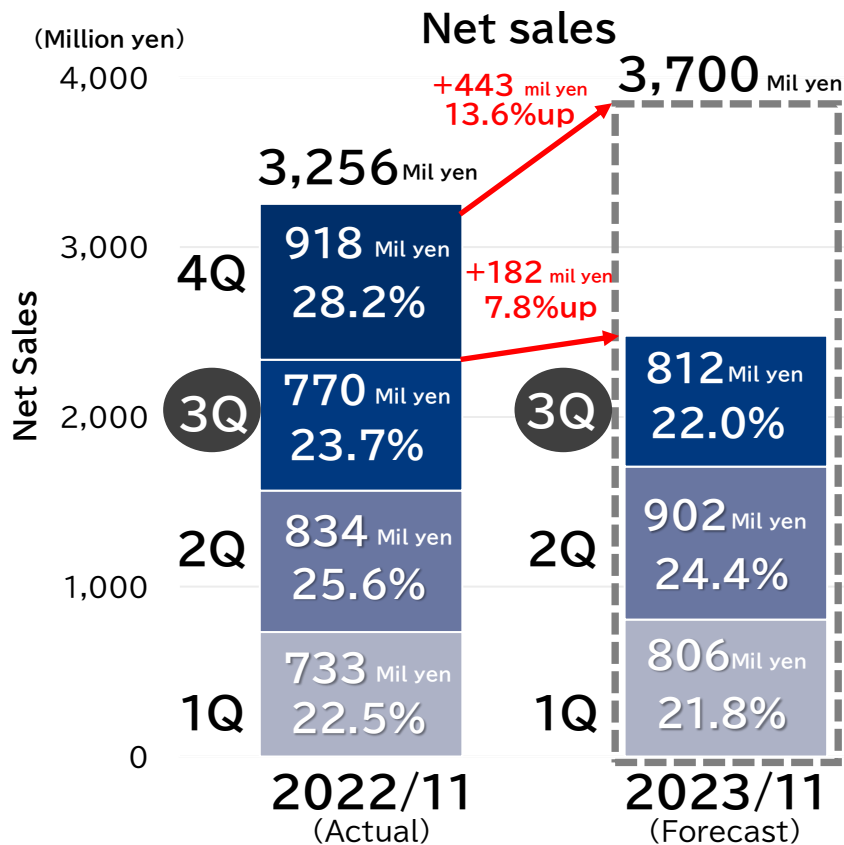


(Note) Due to the restructuring of Toshiba Group, the Net sales of the former Chubu Toshiba Engineering Co., Ltd. (currently known as Kioxia Engineering Co., Ltd.) are aggregated under Kioxia Group starting from Q3 of the previous fiscal year. Taking this into account, sales to Toshiba Group increased by 0.7%.

Quarterly Net sales and Operating profit (FY2023/3Q)

3Q cumulative Net sales : 2,520 million yen
 Increase: **+182 million yen, Up 7.8%**
 (compared to the previous same quarter)

3Q cumulative Operating profit : 461 million yen
 Increase: **+37 million yen, Up 9.0%**
 (compared to the previous same quarter)



(Note) Some seasonal fluctuations can be observed in the company's performance due to the number of engineers and project delivery dates.

Business Environment - Trend of Major Clients

(Overall) Trend of Major Customers

(As of October 13, 2023)

The semiconductor market is slow to recover from the downturn in the latter half of 2022. However, there hasn't been a significant shift in the perspective, with expectations remaining for a sustained growth trend in the medium to long term. On the other hand, challenges faced like the global inflation and ongoing geopolitical risks associated with Russia's actions in Ukraine.

Toshiba G

The resolution on the movement towards delisting is expected to occur this year. Although net sales for 1Q decreased compared to the previous same quarter, their Energy System Solutions segment where our company is involved in system development has been performing well, which is considered a positive factor for our company.

Hitachi G

In the 'Digital Systems & Services' segment, responsible for IT services, are experiencing a steady flow of orders, especially for large projects. It anticipates a continued expansion of their business driven by the demand for digital services, which is expected to result in a further increase in inquiries to our company.

Kioxia G

Considering the decline in global semiconductor demand and the delay in market recovery, Kioxia plans to continue adjusting production in line with demand trends. While the short-term outlook is challenging, their view of the market as a growth trend in the medium to long term remains unchanged. They intend to maintain competitiveness through initiatives such as developing next-generation products and reducing manufacturing costs.

Others

As generative AI, exemplified by ChatGPT, gains attention and consideration for usage possibilities in its operations, interest from our clients has been increasing.

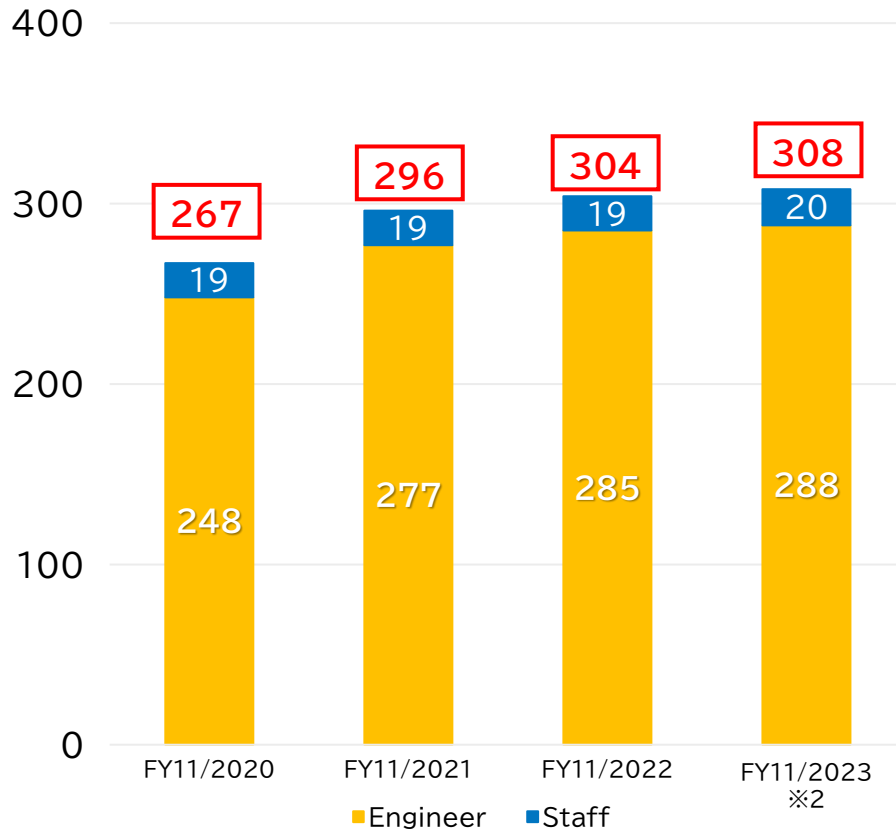
(Compiled from publicly available information and media reports by the respective companies)

Status of Engineers

Securing Engineering Resources through BP^(※1) Capabilities

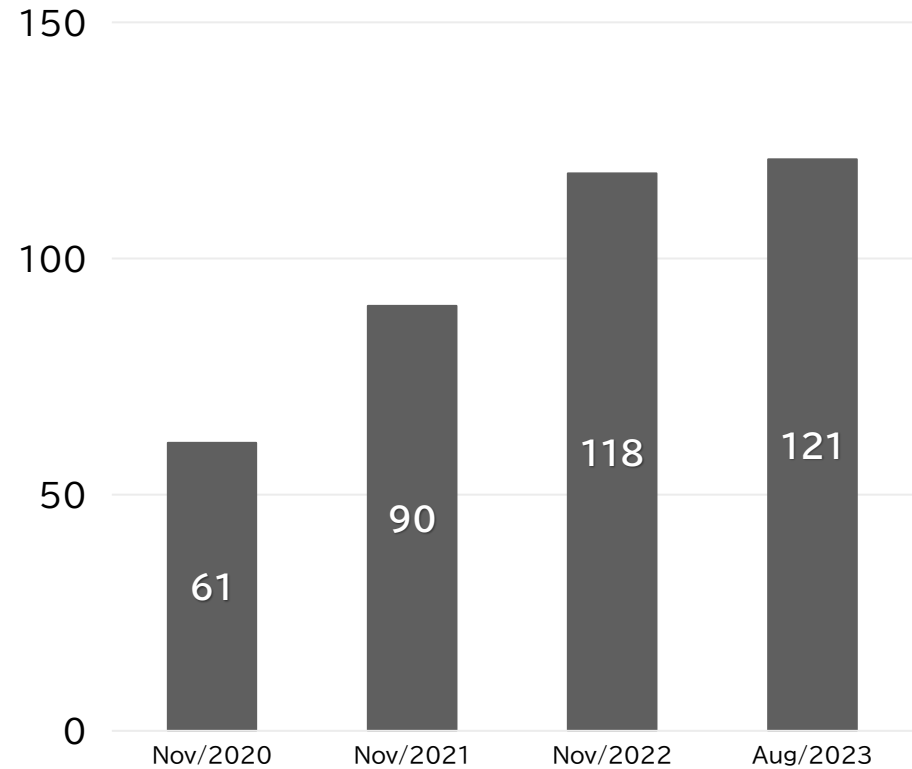
Changes in Number of Employees

(Unit: no. of people)



Changes in the number of BP orders

(Unit: no. of orders)



※1 BP...Business partner. Engineers engaged in our business in the form of outsourcing etc.

※2 as of October 13, 2023

Statement of Income (FY2023/3Q)

Statement of Income (FY2023/3Q)

Unit: thousand yen	FY2022/3Q	FY2023/3Q	+/- amount	+/- %
Net sales	2,338,440	2,520,546	182,105	7.8%
Cost of sales	1,620,367	1,743,691※	123,324	7.6%
Gross profit	718,072	776,854	58,781	8.2%
SG&A expenses	294,799	315,654※	20,854	7.1%
Operating profit	423,273	461,200	37,927	9.0%
<i>(Operating profit rate)</i>	<i>(18.1%)</i>	<i>(18.3%)</i>		
Ordinary profit	431,739	465,913	34,173	7.9%
<i>(Ordinary profit rate)</i>	<i>(18.5%)</i>	<i>(18.5%)</i>		
Quarterly profit	302,735	326,037	23,301	7.7%
<i>(Quarterly profit rate)</i>	<i>(12.9%)</i>	<i>(12.9%)</i>		

※ Includes 13,000 thousand yen of performance-linked bonuses to employees.

Balance Sheets (FY2023/3Q)

Balance Sheets (FY2023/3Q)

Unit: thousand yen	FY2022	FY2023/3Q	+/- amount
Current assets	2,110,767	2,232,095	121,327
Non-current assets	170,732	145,907	△24,824
Total assets	2,281,500	2,378,002	96,502
Current liabilities	498,233	306,927	△191,306
Non-current liabilities	49,763	55,618	5,855
Total liabilities	547,996	362,545	△185,451
Total shareholders' equity	1,733,503	2,015,457	281,953
Total net assets	1,733,503	2,015,457	281,953
Total liabilities & net assets	2,281,500	2,378,002	96,502

Topics

Our company intends to begin considering **the transition to a holding company structure** within the timeframe of 2024.

Goals

- ✓ Achieving agile and detailed management
- ✓ Ensuring the independence of operating companies
- ✓ Efficient resource allocation
- ✓ Achieving effective corporate governance
- ✓ Creating new businesses
- ✓ Achieving business expansion through M&A

Timing

- ✓ Targeting progress during 2024

Method

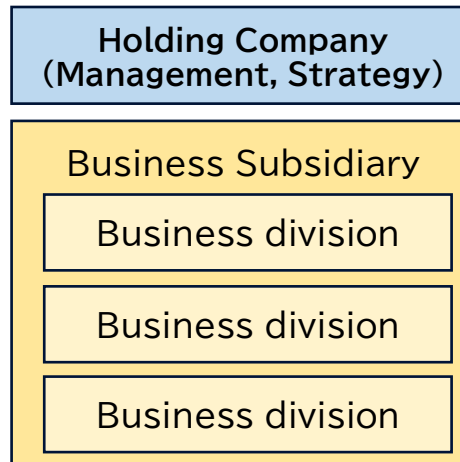
- ✓ Details to be announced upon discussions

Image of the transition of the Holding company's structure

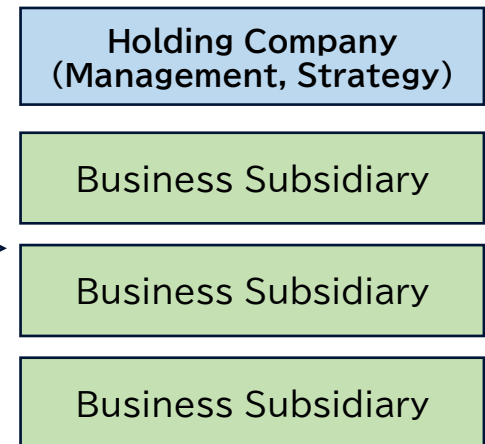
December 2023 (scheduled)



2024 (scheduled)



Ultimate target structure



(Announced on September 15, 2023)

FY Earnings Forecast

FY11/2023 **Third Quarter**

FY Earnings Forecast

No change in Full-Year Performance Forecast

Unit: million yen	FY11/2022 (Actual)	FY11/2023 (Forecast)	FY11/2023 3Q(Actual)	Percentage of progress
Net sales	3,256	3,700	2,520	68.1%
Operating profit	617	700	461	65.9%
Ordinary profit	626	703	465	66.2%
Net profit (quarterly)	440	495	326	65.8%

Company

Net sales increased by 7.8% compared to the previous same quarter. Orders from major clients remained stable, and in addition, there was growth in orders from other clients. While the cumulative net sales for the 3Q reached an all-time high, delays in hiring engineers had an impact, resulting in a progress rate of 68.1% towards the full-year forecast. To supplement engineering resources, we have been consistently increasing the use of BP since the end of the previous fiscal period. Also, allocating 13 million yen for performance-linked bonuses, operating profit increased by 9.0% compared to the previous same quarter to 461 million yen compared to the same period last year. The operating profit margin is 18.3%.

Solution

Net sales Increased by 8.4% compared to the previous same quarter. There was growth in orders for contracted development projects from other clients. Orders for outsourced development from major clients continue to maintain a strong performance.

Semiconductor

Net sales Increased by 17.3% compared to the previous same quarter, despite challenges within the semiconductor market due to the impact of cost cooperation and other factors, the company managed to secure an increase in revenue. Although the maintenance and operation of the factory system are not closely related to the operational rate of the plants, there is an anticipation that the recovery in the semiconductor market will have an impact.

Advanced Technology Solution

Net sales decreased by 21.0% compared to the previous same quarter. Due to the impact of a large project in progress during the previous period, which was recorded as net sales in the same period. Net sales for this quarter have continued to decline following the first half of the fiscal year. However, the decrease has been controlled compared to 2Q due to the smooth progress in the development of the visual inspection system.

Shareholder Returns

Dividend ratio for FY11/2023 is targeted at 10%

Basic Policy on dividends

The Company considers it an important management task to **increase corporate value through investment in the acquisition of new technologies in fields where future growth is expected**, and believes that the return of profits to shareholders is the key to achieving this goal.

Our basic policy for profit distribution is to continue to pay appropriate dividends in consideration of business performance, while giving priority to securing the internal reserves necessary to improve our corporate value.

As for FY11/2023, the Company plans to pay a dividend of 6.55 yen per share (up 0.55 yen in real terms), aiming for a dividend payout ratio of around 10%, in line with the above policy.

The financial indicators that take into account the above measures are as follows.

	Dividend per share	Dividend ratio	Return on equity (ROE)
FY11/2022 (Actual)	6.00yen	10.3%	27.3%
FY11/2023(Forecast)	6.55yen	10.0%	25.3%

Contact

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