

# FY2024/9 **Second Quarter** Supplementary Material on Financial Results

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**T&S Group Inc.**

TSE Growth: 4055

July 12, 2024



**T & S**  
Technology & Service

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# Highlights( FY2024/2Q )

(Theme of current term)

## Moving forward the next stage

### **1** Net sales and operating profit in 2Q recorded the highest ever.

- Cumulative net sales of 1-2Q also recorded the highest ever.

	FY2023/2Q	FY2024/2Q	FY2024/1-2Q
Net sales	902 million yen	932 million yen (+30mil yen)	1,770 million yen
Operating profit	173 million yen	175 million yen (+ 2mil yen)	314 million yen

### **2** DX Solution remain steady.

- Sales in the DX Solution category **increased by 17.6%** compared to the same quarter in the previous year. Orders for large scale development project which started from the previous year and from new customers contributed to the steady increase.
- Production adjustments completed in the semiconductor manufacturing industry. Sales in the Semiconductor Solution category are expected to recover from 3Q onwards.
- Sales in the AI Solution category increased from 1Q.

### **3** A holding company structure has started and a new subsidiary for personnel recruitment has been established.

- Transition to a holding company structure completed on June 1.
- A new subsidiary has been established to recruit, hire and train engineers, and to promote utilization of human resources in our group companies. We have restarted as a new corporate group consisting of 3 companies including business subsidiary.

# Financial Results Overview

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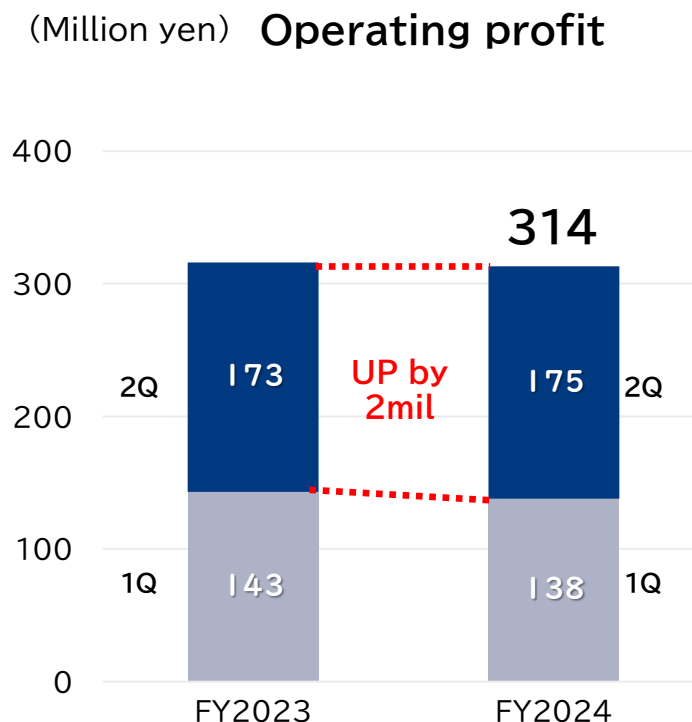
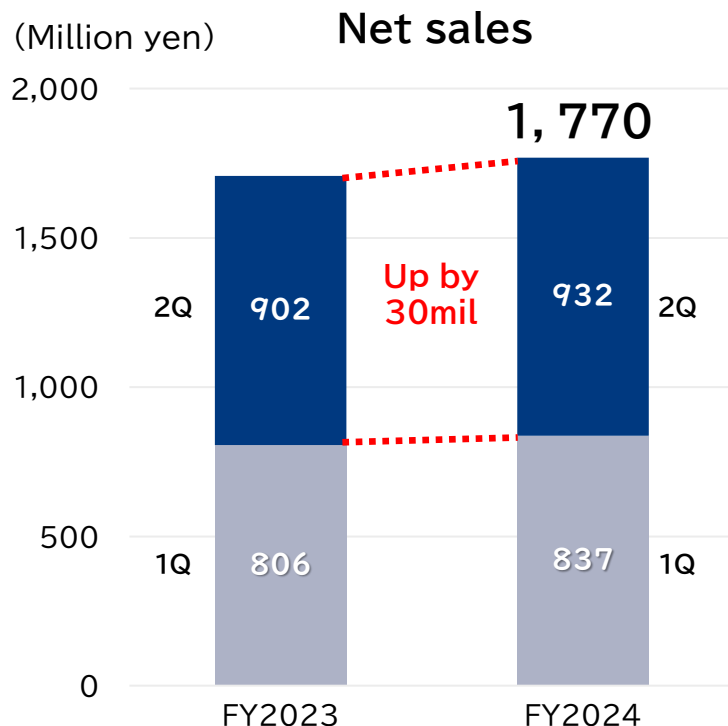
FY2024/9 **Second Quarter**

# Financial Results Overview( FY2024/2Q )

**Record-high** net sales continues

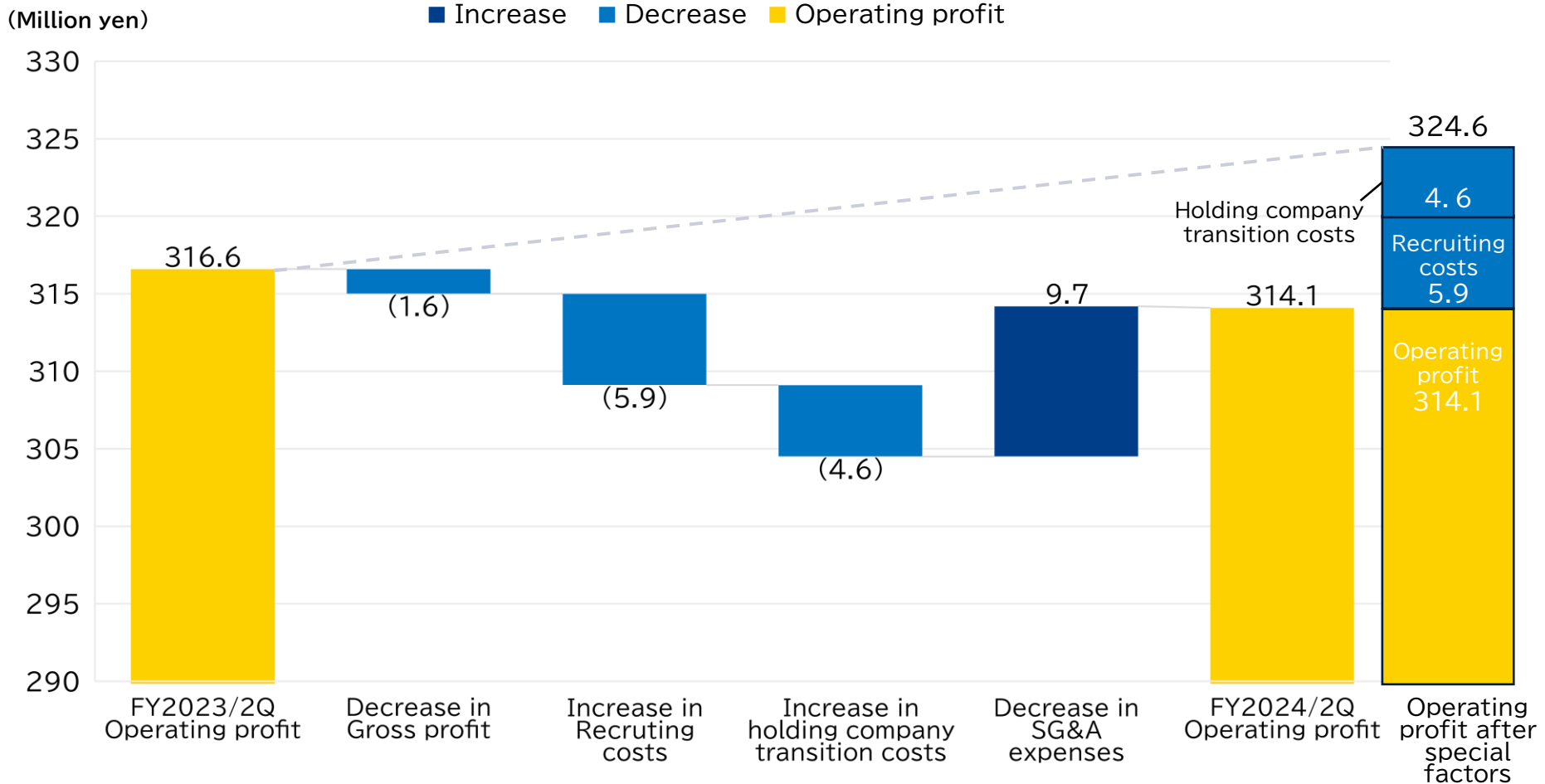
Net sales and operating profit in 2Q recorded the highest ever.

Net sales	:	1,770million yen
Operating profit	:	314million yen
Ordinary profit	:	314million yen
Quarterly profit	:	218million yen



# Operating profit( FY2024/2Q )

Operating profit in the current year has substantially **increased** by **2.5%** before deducting up-front costs for special factors such as recruiting and transition to a holding company.



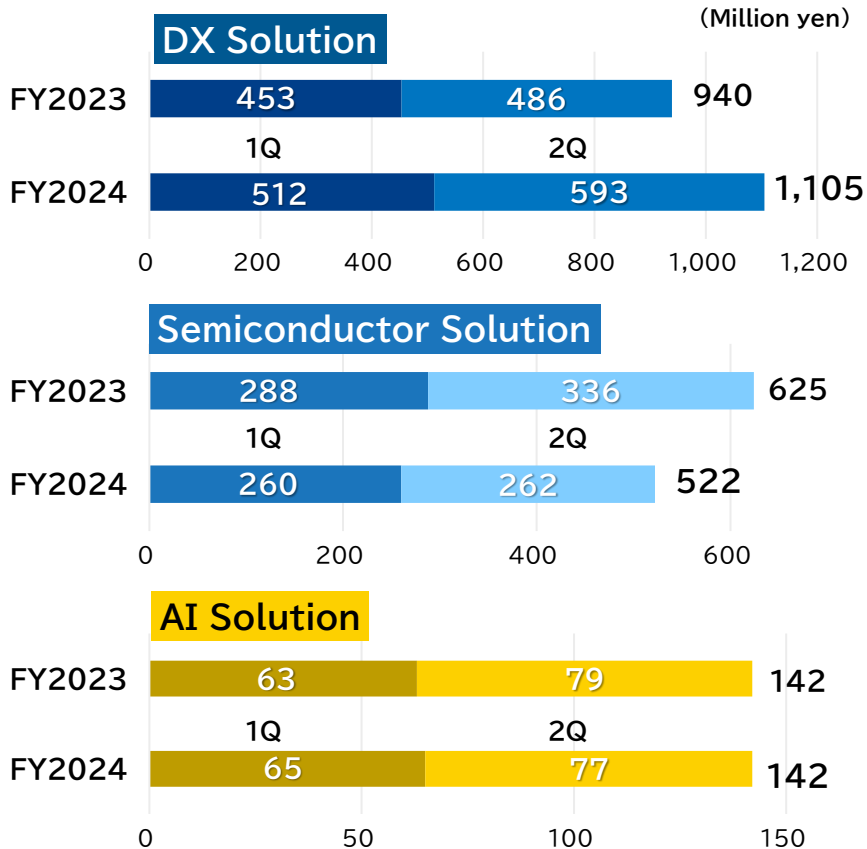
# Net sales by Category( FY2024/2Q )

DX Solution category continued steadily with **17.6% increase.**  
(compared to the previous same quarter)

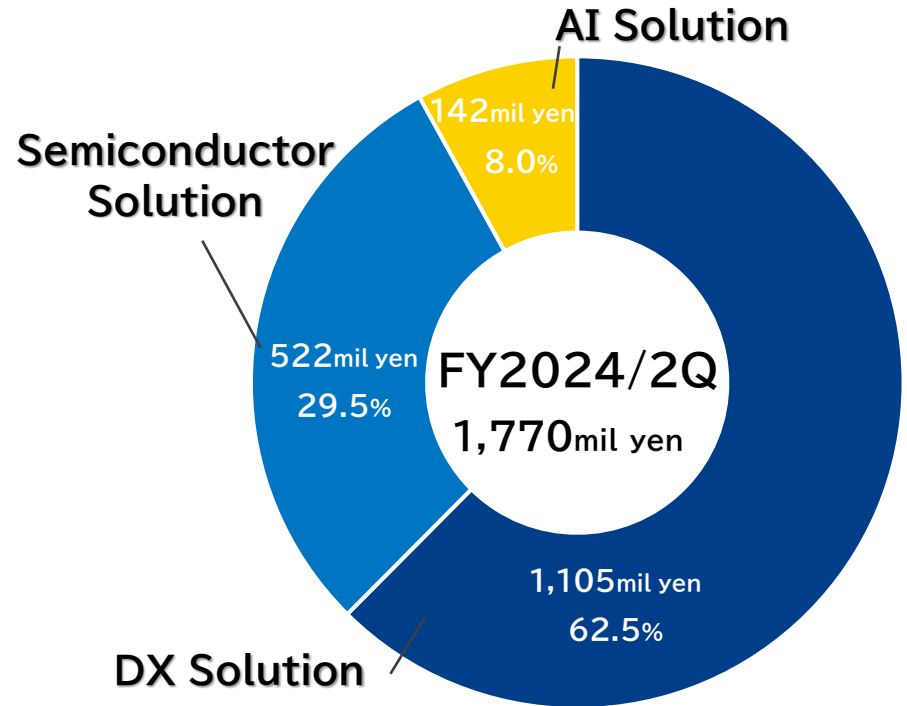
Semiconductor Solution category is expected to recover from FY2024/3Q onwards on a full scale by virtue of production adjustments completion in the semiconductor manufacturing industry and is receiving rapidly increasing number of inquiries.

AI Solution category increased net sales compared to 1Q.

## Net Sales(by category)



## Sales Ratio(by category)



(Note) Our business segment is a single segment. Only Net sales are calculated by category. The category classification was changed in this period. For comparison with the previous same quarter, the quarter's Net sales were recalculated and compared under the new category classification.

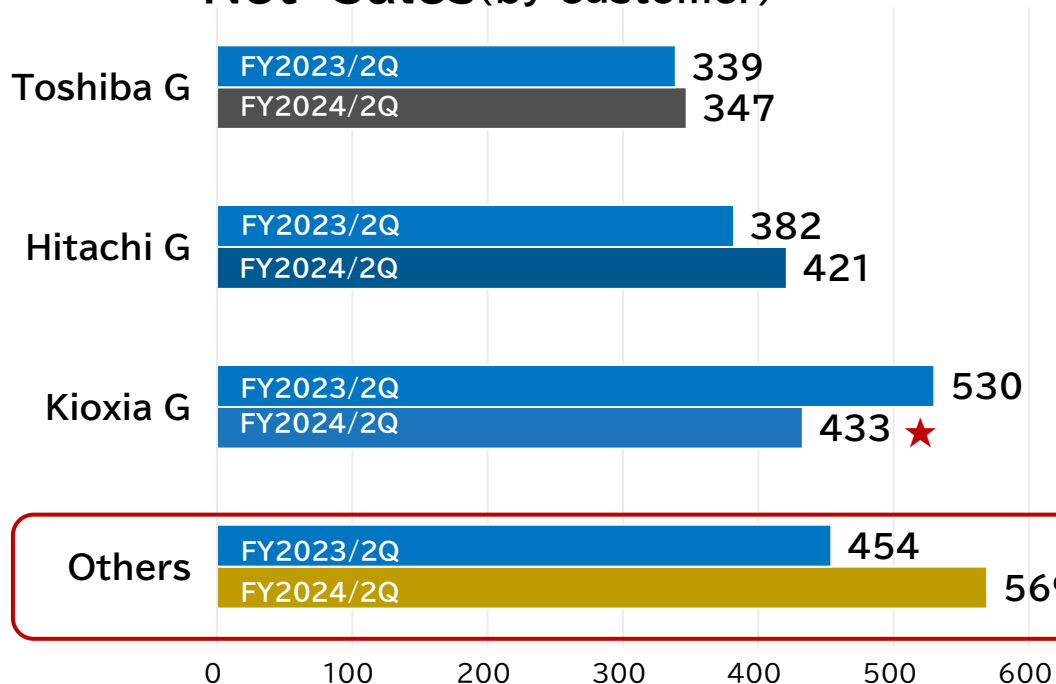
# Net sales by Customer( FY2024/2Q )

**Toshiba G** has recovered.

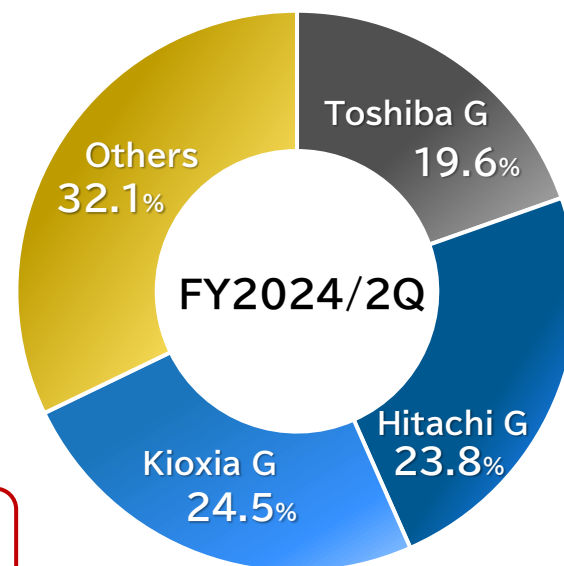
**Hitachi G** is expanding. (Up by 10.0%) (compared to the previous same quarter)

**Others** are significantly increasing. (Up by 25.3%) (compared to the previous same quarter)

**Net Sales**(by customer) (Million yen)



**Sales Ratio**(by customer)



- ★ Rapid recovery is expected from FY2024/3Q onwards by virtue of production adjustments completion of Kioxia.
- ★★ Net sales to other customers are expanding by virtue of orders from existing customers for large scale development projects and orders from Amano Corporation, a new customer.



# Business Environment - Trend of Major Customers

## (Overall)Trend of Major Customers

(As of July 12, 2024)

The semiconductor market, which has continued to decline, is expected to recover by virtue of vigorous investment in AI-related areas. There are recovery trend in capital investment and increasing trend in software investment. Like this, the business environment surrounding our company is expected to remain strong. On the other hand, adequate attention should be paid to the impact of global monetary tightening, concerns over the Chinese economic outlook, rising prices, and geopolitical risks such as those surrounding the Middle East Region and fluctuations in financial capital markets.

### Toshiba G

A new management team has formulated a revitalization plan and announced its business strategy and growth strategy for future. We expect the result of executing such plans to be reflected in business results. Inquiries to us are recovering, mainly in the fields of energy and social infrastructure.

### Hitachi G

In the “Digital Systems & Services” segment, responsible for IT services, net sales and operating profit are expected to increase, following the same trend in FY2023, due to strong digital demand both in Japan and overseas. An investment in generative AI is planned and their inquiries to us are expected to increase continuously.

### Kioxia G

Operating profit has turned positive due to the improvement of supply-demand balance. Medium- and long-term growth of flash memory market and consequent corporate performances are continuously expected to improve as data center and AI are spreading. The funds required for continuous business expansion have been secured, capital investments are expected to expand according to the market trend, and their inquiries to us are increasing.

### Others

Backed by strong digital demand and AI-related investments, inquiries to us from the customers other than the above 3 biggest customers are increasing. We are meeting demands from such customers by securing engineering resources.

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

# Status of Engineers

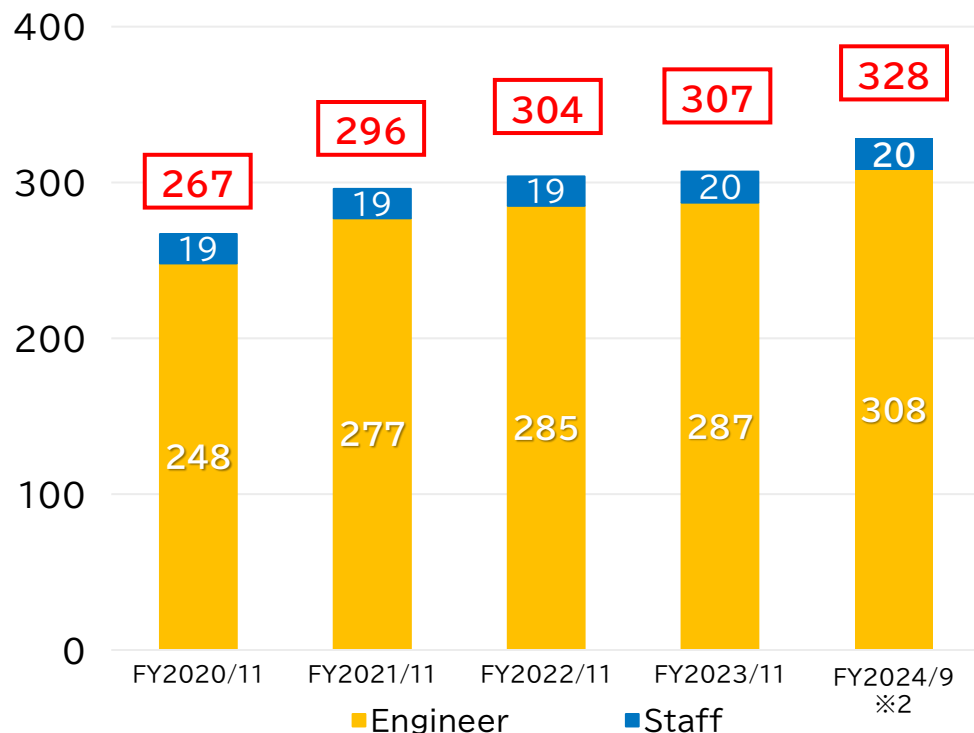
Increasing steadily towards annual goal.

Ready-to-work personnels increased thanks to the establishment of subsidiary.

Expecting to contribute to net sales from FY2024/3Q onwards.

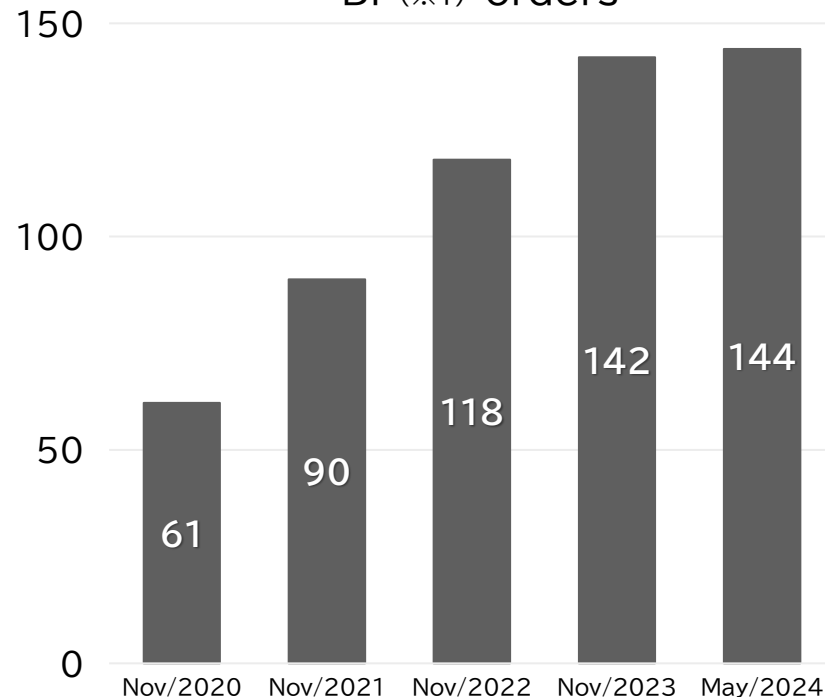
Changes in number of employees

(unit: no. of people)



Changes in the number of BP(※1) orders

(unit: no. of orders)




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

※2 as of July 12, 2024(Figures of the whole T&S Group)

# Statement of Income( FY2024/2Q )

## Statement of Income( FY2024/2Q )

Unit: thousand yen	FY2023/2Q	FY2024/2Q	+/- amount	+/- %
Net sales	1,708,065	 1,770,648	62,583	3.7%
Cost of sales	1,182,041	1,246,247	64,205	5.4%
Gross profit	526,023	524,401	(1,621)	(0.3%)
SG&A expense	209,348	210,255	907	0.4%
Operating profit	316,674	314,145	(2,528)	(0.8%)
<i>Operating profit rate</i>	<i>18.5%</i>	<i>17.7%</i>		
Ordinary profit	321,494	314,456	(7,038)	(2.2%)
<i>Ordinary profit rate</i>	<i>18.8%</i>	<i>17.8%</i>		
Quarterly profit	225,181	218,625	(6,555)	(2.9%)
<i>Quarterly profit rate</i>	<i>13.2%</i>	<i>12.3%</i>		

# Balance Sheets( FY2024/2Q )

## Balance Sheets( FY2024/2Q )

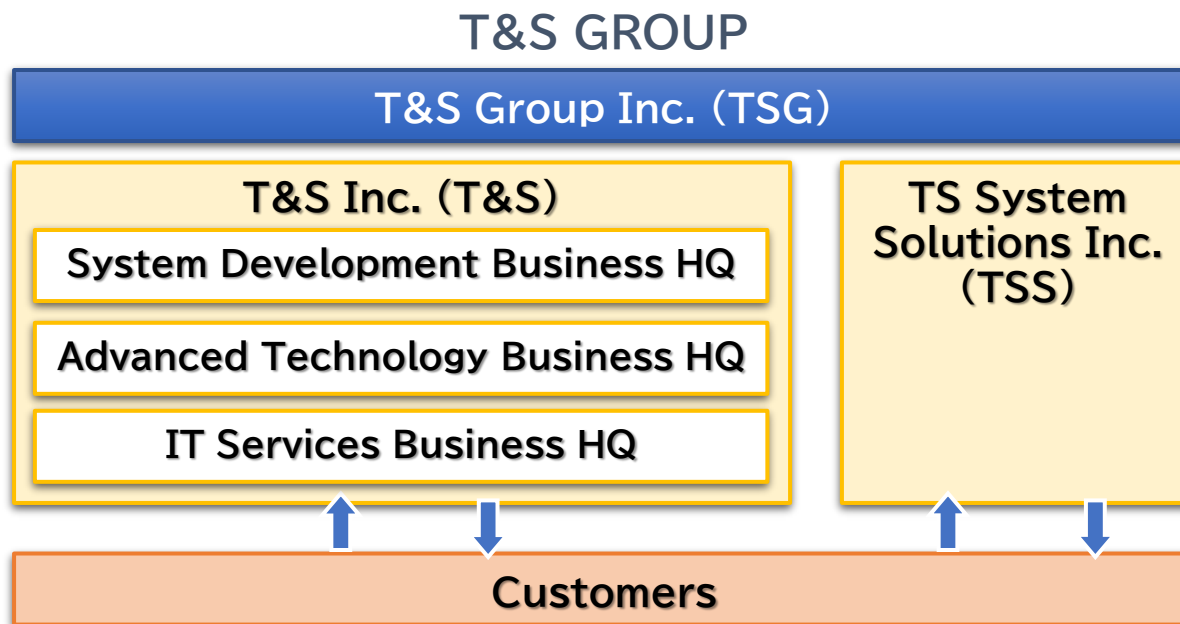
Unit: thousand yen	FY2023	FY2024/2Q	+/- amount
Current assets	2,452,145	2,543,920	91,774
Non-current assets	164,315	280,914	116,598
<b>Total assets</b>	<b>2,616,461</b>	<b>2,824,835</b>	<b>208,373</b>
Current liabilities	395,820	429,792	33,972
Non-current liabilities	57,392	61,963	4,571
<b>Total liabilities</b>	<b>453, 212</b>	<b>491,755</b>	<b>38,543</b>
Total shareholders' equity	2,163,249	2,333,079	169,830
Total net assets	2,163,249	2,333,079	169,830
<b>Total liabilities &amp; net assets</b>	<b>2,616,461</b>	<b>2,824,835</b>	<b>208,373</b>

# Topics

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# Topic: Start of a new structure

On June 1, 2024, our group completed transition to a holding company structure by company split with T&S Group Inc. as a holding company.



Company	Business Details
TSG	General management of business for the whole group, formulation and promotion of business & management strategies.
T&S	Software development, operation and maintenance services, offers of solutions regarding advanced technologies.
TSS	Promotion of recruitment, hire and training of engineers, and utilization of human resources within our group.

※ A consolidated financial statements shall be disclosed from FY2024/3Q onwards.

# Earnings Forecast and Progress

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FY2024/9 **Second Quarter**

# Earnings Forecast and Progress

## Progressing as planned toward achieving the budget.

**Irregular period of 10 months** for FY 2024/9 due to change of FY end.

Unit: million yen	FY 2024/9 (Consolidated/Forecast)	FY 2024/9 2Q (Actual)	Progress rate(%)
Net sales	3,142	1,770	56.4%
Operating profit	588	314	53.4%
Ordinary profit	589	314	53.4%
Net profit (Quarterly)	401	218	54.5%

### Company

All Business HQ are performing well for FY2024/3Q onwards. Inquiries from existing customers for development projects and other inquiries from new customers remain strong. While we continue to utilize BP to secure necessary engineer resources, the utilization of resources within our group continues further and is expected to contribute to net sales thanks to an enhancement of human resources recruitment and increase of ready-to-work resources by the new subsidiary for recruitment.

### System Development Business HQ

Sales forecast are expected to remain strong, mainly due to ongoing projects from our major customers. We are also receiving lots of inquiries from new customers, which are expected to lead to new orders for system development projects. By enhancing engineer resources through mid-career recruitment and BP, we will aim to get new deals in addition to orders from major customers.

### IT Services Business HQ

IT services for semiconductor factories are in operation steadily with improvement of demand-supply balance due to production adjustments and recovery of demand. Supply of engineers for operation and maintenance services at factories is expected to continue. We will aim to secure and train human resources for expansion of new business by enhancing new graduates and mid-career recruitment and promoting proper placement.

### Advanced Technology Business HQ

Carrying on the flow from the 1st half of current FY, we expect steady growth in the business centered on continued projects from existing customers as well as from new customers. Once customers' business improves and becomes a tailwind in the current fiscal year, we expect to enlarge business scale further in the fields of latest AI processor, image recognition AI, and generative AI.



# Shareholder Returns

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## Dividend ratio 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 achieving this goal shall lead to the return of profits to shareholders.

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.

For the FY2024/9, we are forecasting a dividend of 7.00yen per share(Up by 0.45yen per share), targeting a payout ratio of around10% in line with the above policy.

The dividend payout ratio for the FY2024/9 appeared higher at 13.2% compared to 10.5% for the FY2023/11(12months), however this is due to the irregular accounting period of 10 months resulting from the change of fiscal year.

The financial index for the FY2024/9 is as follows.

	Dividend per share	Dividend ratio	Dividend on equity ratio(DOE)
FY2023/11	6.55yen	10.5%	2.5%
FY2024/9 (Forecast)	7.00yen	13.2%	2.3%

## Contact

T&S Group Inc.  
Corporate Planning and IR Dept.  
Email / [pr@tecsvc.co.jp](mailto:pr@tecsvc.co.jp)  
URL / <https://www.tecsvc.co.jp/>

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