

FY2023/11 Full-year Supplementary Material on Financial Results

T&S inc.
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T & S
Technology & Service

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FY2023/11 Full-year

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Highlights(FY2023/11)

(Theme of current term)

Sustainable Growth

1 Record-high revenues continues (Compared to the previous year)

Net sales	:	3,442 million yen	(Up by 5.7% ↑ + 186 million yen)	(YoY)
Operating profit	:	643 million yen	(Up by 4.2% ↑ + 25 million yen)	(ditto)
Ordinary profit	:	648 million yen	(Up by 3.5% ↑ + 22 million yen)	(ditto)
Profit	:	473 million yen	(Up by 7.6% ↑ + 33 million yen)	(ditto)

2 The semiconductor category remains stable

- Sales in the semiconductor category **increased by 13.2%** compared to the previous year, maintaining robust performance while mitigating the impact of the semiconductor market downturn.
- Sales in the solutions category **increased by 6.4%** compared to the previous year, due to stable orders for contracted development projects from major customers and orders from other customers.
- Sales in the advanced technology solutions category declined by 19.3% compared to the previous year, as a reaction to the large-scale projects recorded in the previous period.

3 FY2024 is expected to increase sales and profit growth rate

The growth rate of sales and profit for FY2024 is expected to exceed those for current year.

Net sales	:	3,770 million yen	(YoY Up by 9.5% ↑ : + 327 million yen)
Operating profit	:	706 million yen	(YoY Up by 9.7% ↑ : + 62 million yen)

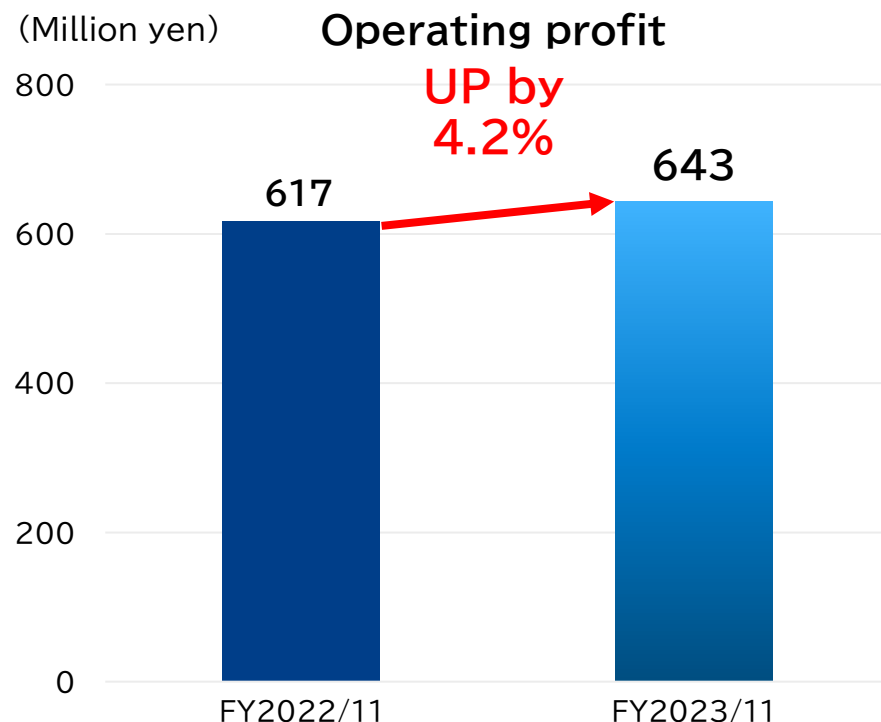
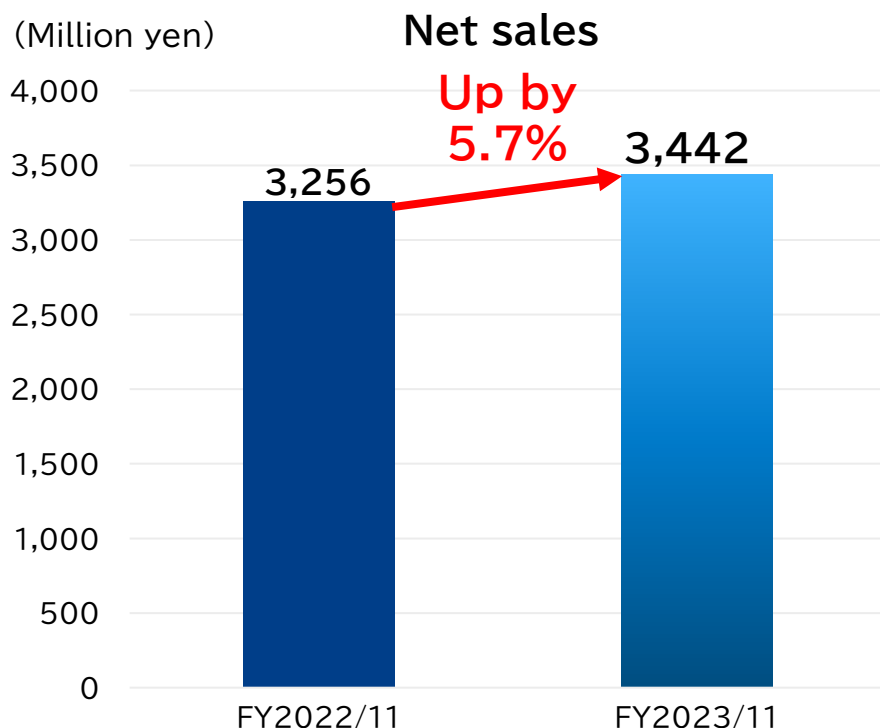
Financial Results Overview

FY2023/11 Full-year

Financial Results Overview (FY2023/11)

Record-high revenues continues (Compared to the previous year)

Net sales	: 3,442 million yen	(Up by 5.7%↑ + 186 million yen)	(YoY)
Operating profit	: 643 million yen	(Up by 4.2%↑ + 25 million yen)	(ditto)
Ordinary profit	: 648 million yen	(Up by 3.5%↑ + 22 million yen)	(ditto)
Profit	: 473 million yen	(Up by 7.6%↑ + 33 million yen)	(ditto)

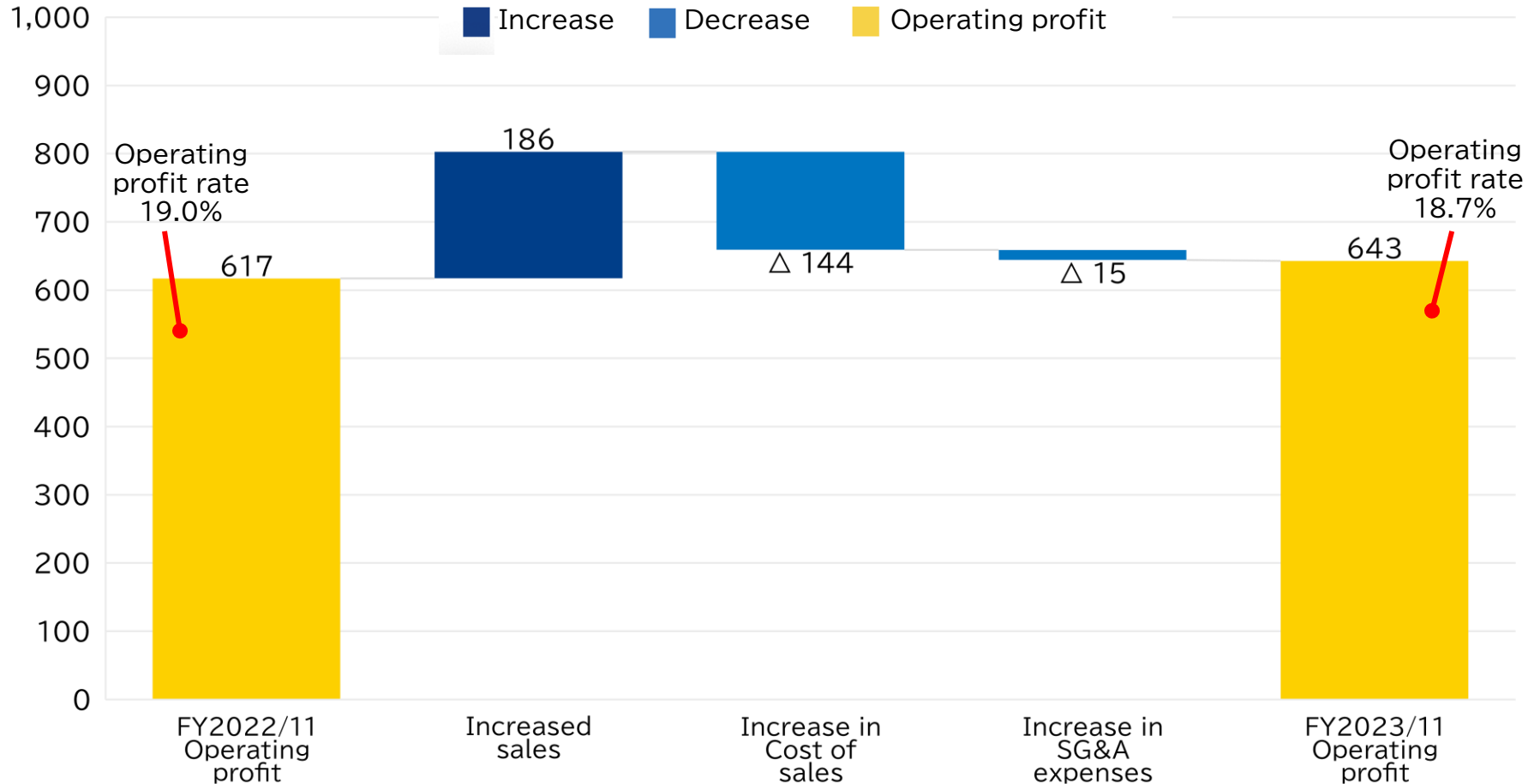


Operating profit (FY2023/11)

Increased Operating profit by 25 million yen

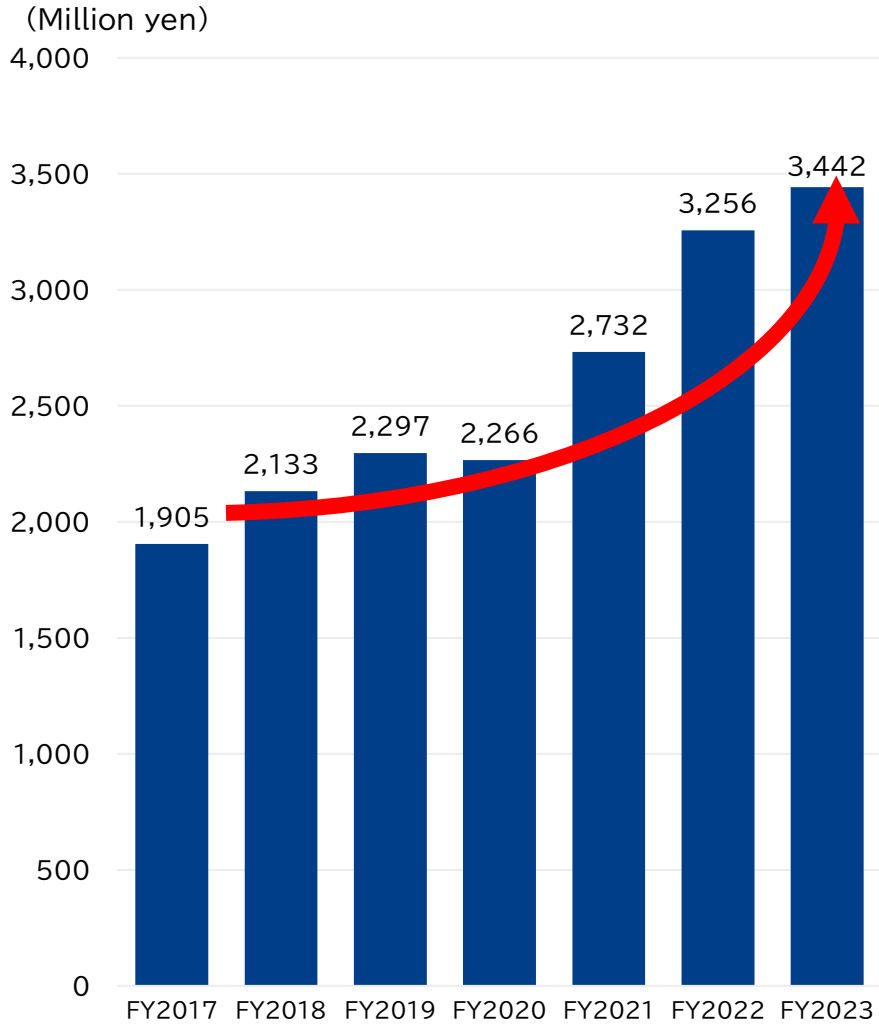
(Compared to the previous year)

(Million yen)

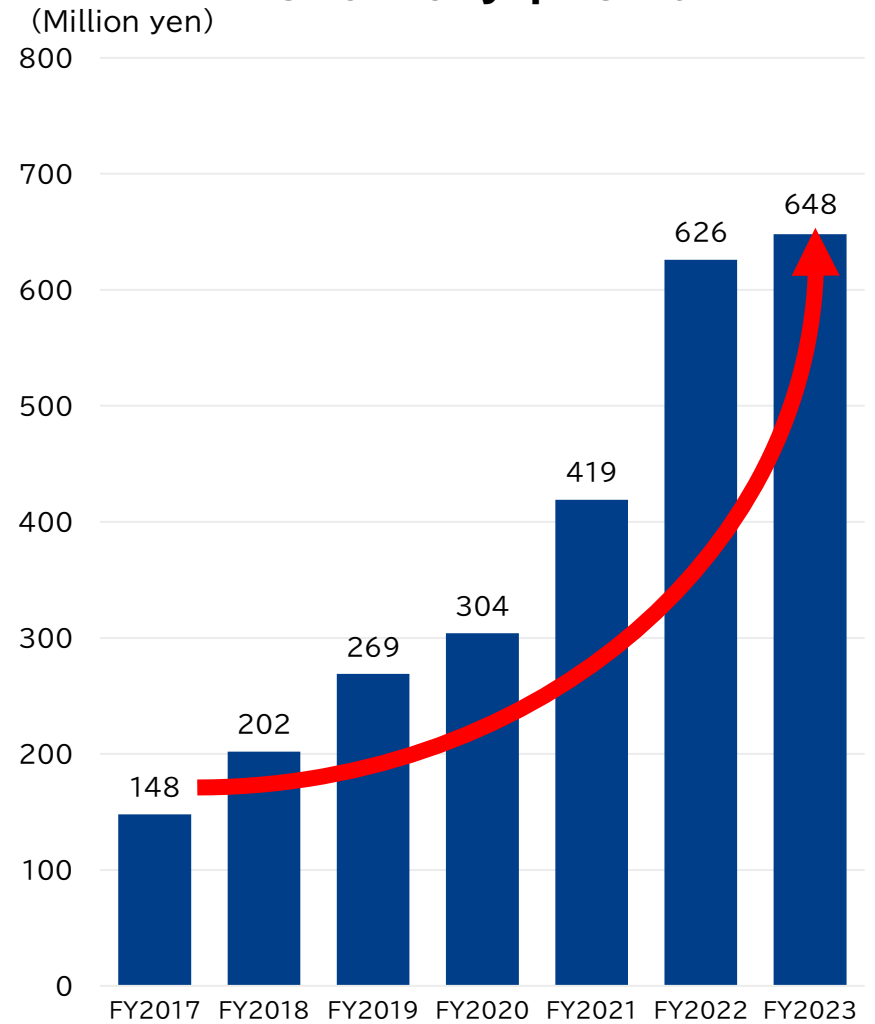


Business Performance

Net sales



Ordinary profit



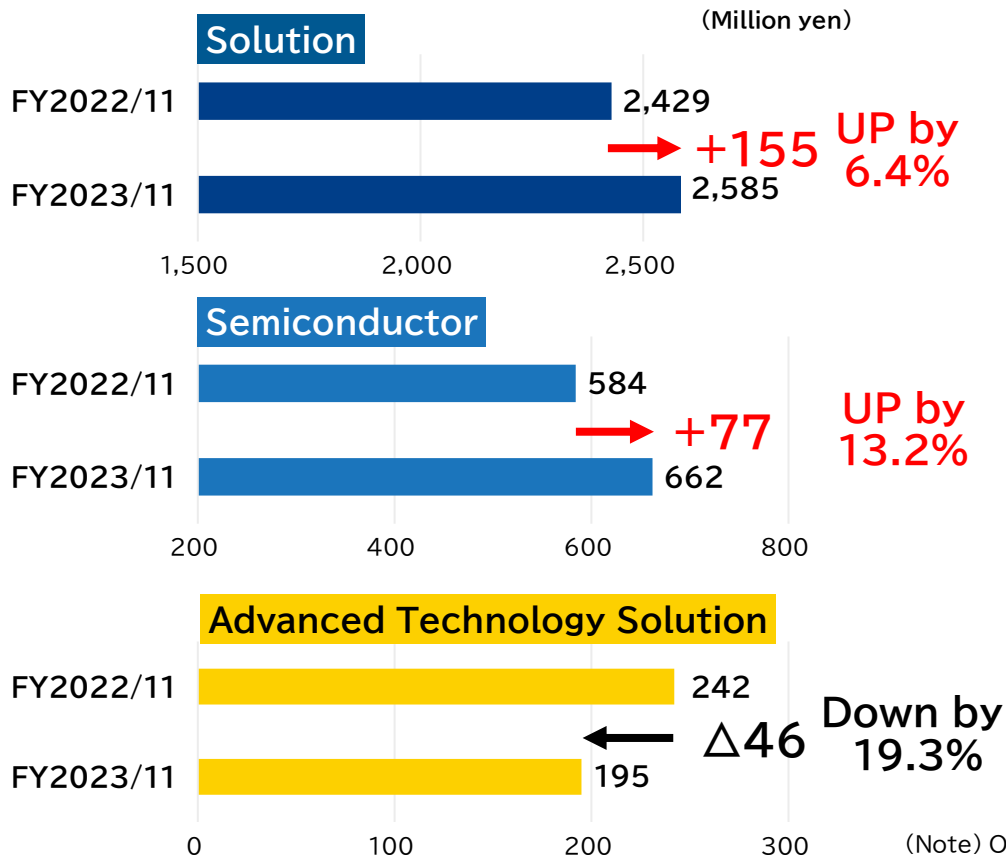
Net sales by Category (FY2023/11)

Solutions' business are performing steadily with a **6.4% increase**.
(compared to the previous year)

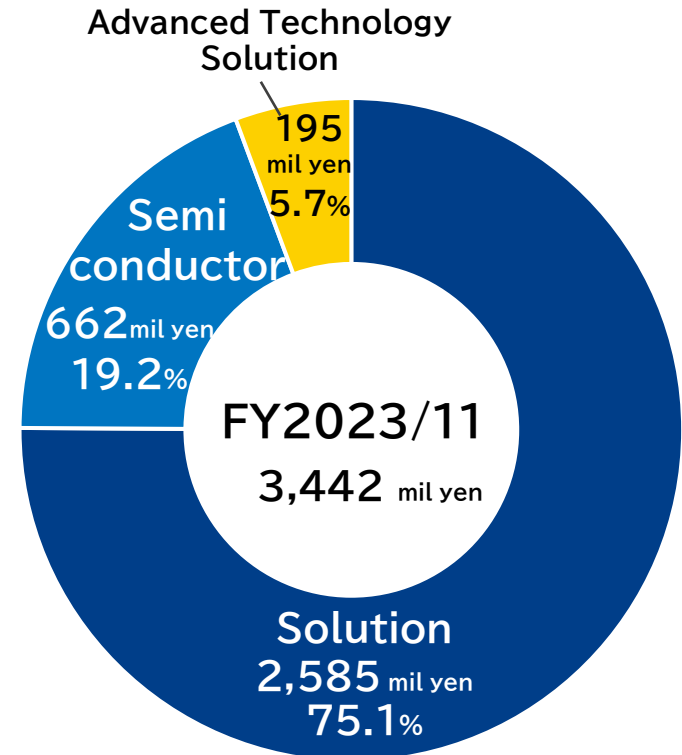
Semiconductors' business remain strong with an **increase of 13.2%**.
(compared to the previous year)

Advanced Technology Solutions' business decreased by **19.3%**, as a reaction
(compared to the previous year)
 to the large-scale projects recorded in the previous period.

Net sales (by category)



Sales proportion (by category)



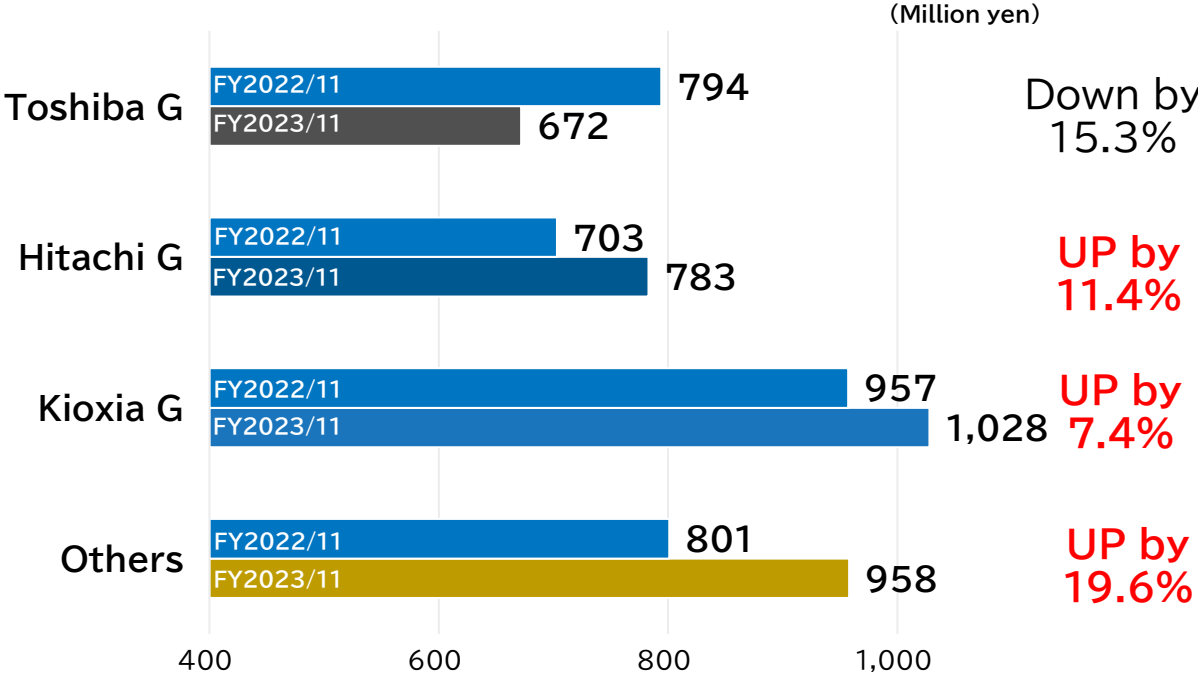
(Note) Our business segment is a single segment. Only Net sales are calculated by category.

Net sales by Customer (FY2023/11)

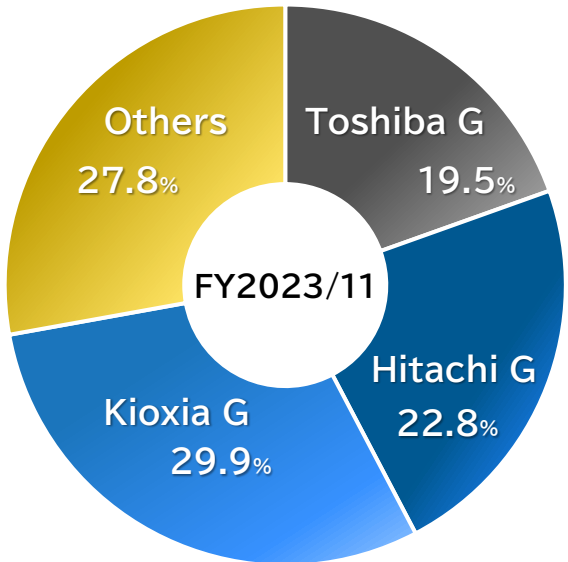
Toshiba G, Hitachi G, Kioxia G

Major customers maintaining steady level
Sales to Others and Hitachi G increased
 (Up by 19.6%) (Up by 11.4%)
 (compared to the previous year) (compared to the previous year)

Net sales (by customer)



Sales proportion (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 decreased by 0.9%.

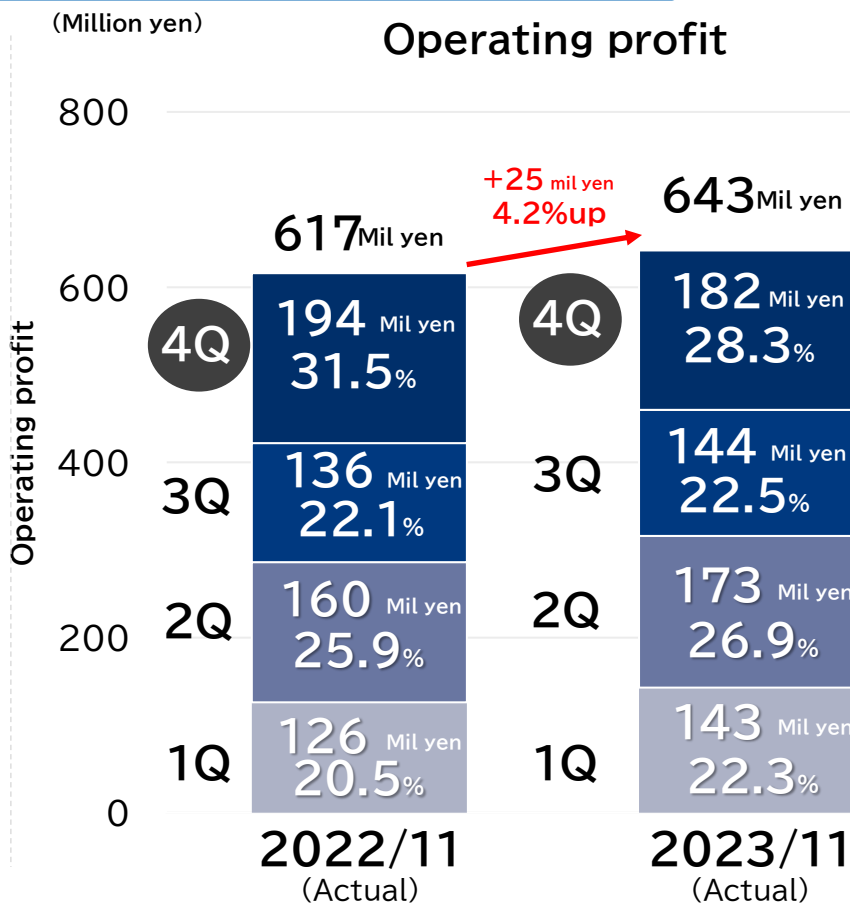
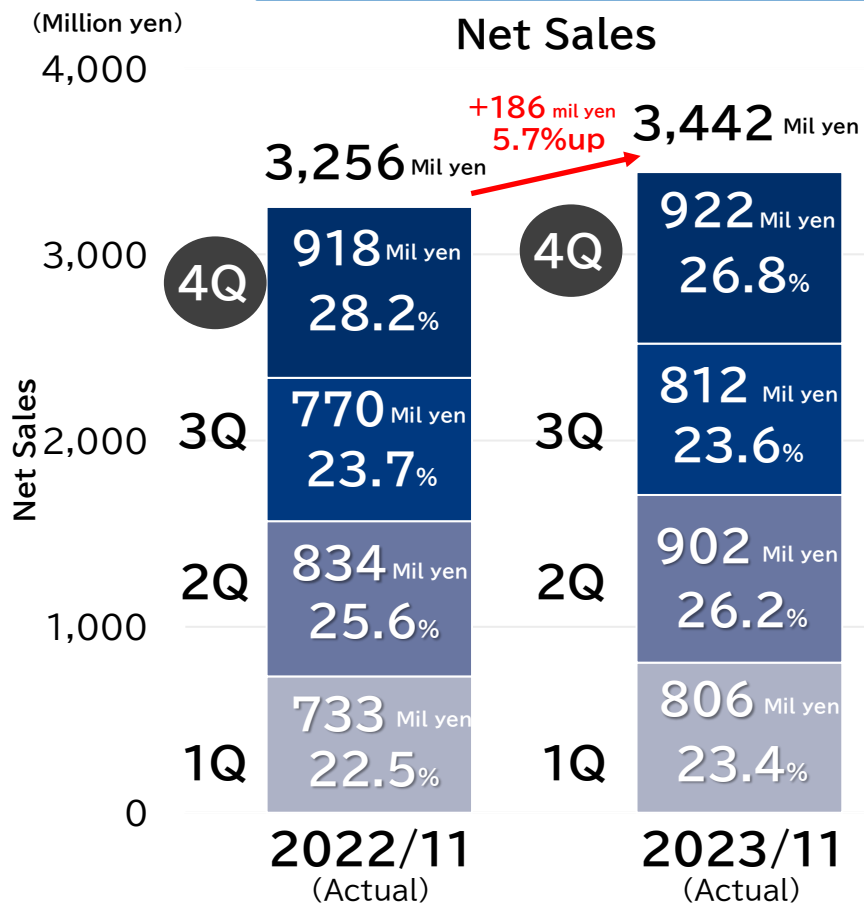
Quarterly Net sales and Operating profit (FY2023/11)

Full-year net sales : 3,442 million yen

Increase: **+186 million yen, Up by 5.7%**
(compared to the previous year)

Full-year operating profit: 643 million yen

Increase: **+25 million yen, Up by 4.2%**
(compared to the previous year)



(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 Customers

(Overall) Trend of Major Customers

(As of January 12, 2024)

The business environment surrounding our company is expected to remain strong. The semiconductor market, which has continued to decline, is expected to see a recovery in growth as production adjustments produce good effect throughout the supply chain. On the other hand, 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 remains as our challenges.

Toshiba G

Sales in the first half of FY2023 were lower than in the same period of the previous year, although orders were higher. The company's stock was delisted on December 20, 2023, and at the same time a new management structure was established. A recovery in business performance is anticipated, going forward.

Hitachi G

In the "Digital Systems & Services" segment, responsible for IT services, order status have been strong, especially for large-scale projects. In addition, orders related to generative AI are expanding. Business expansion is expected to continue based on digital transformation demand, and inquiries to our company are also expected to increase further.

Kioxia G

The supply-demand balance is improving due to continued production adjustments by flash memory manufacturers, and NAND flash memory prices are beginning to show signs of recovery from a bottom out phase. Although production adjustments are expected to continue in line with demand trends, there has been no significant change in our view of the medium- to long-term growth trend of the flash memory market, and a recovery is expected.

Others

Generative AI, exemplified by ChatGPT, is gaining attention. Inquiries from our customers are increasing mainly in area of practical use.

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

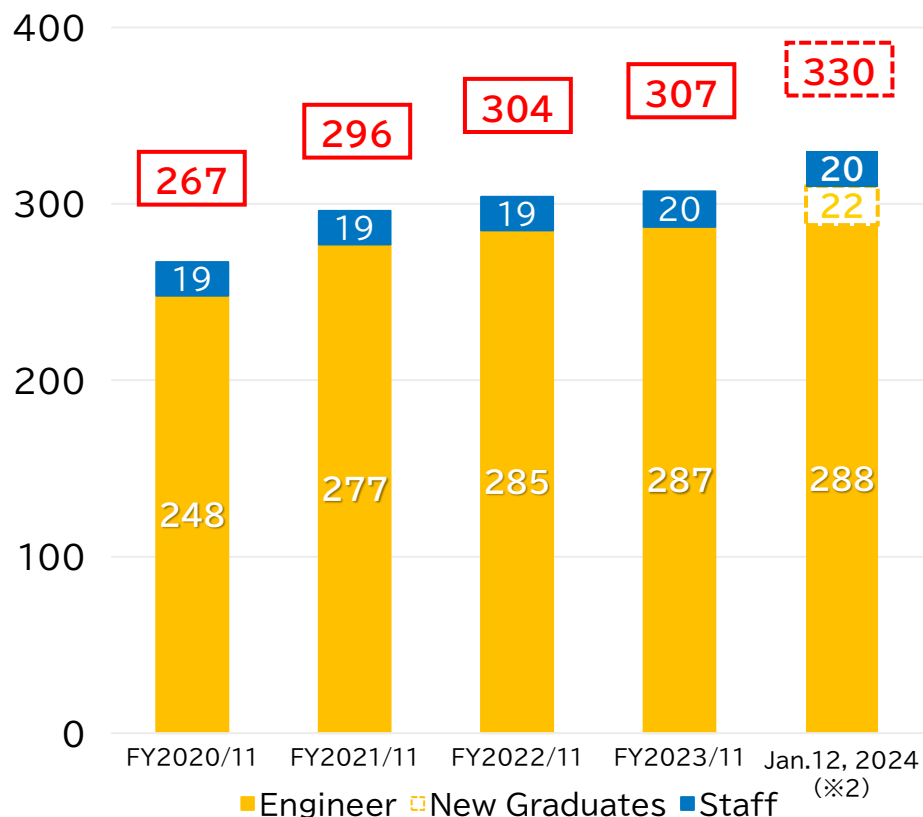
Status of Engineers

Securing engineer resources by maintaining BP^(※1) workforce

Recruitment of new graduates will increase significantly in FY2024/11 (22 people are expect to hired)

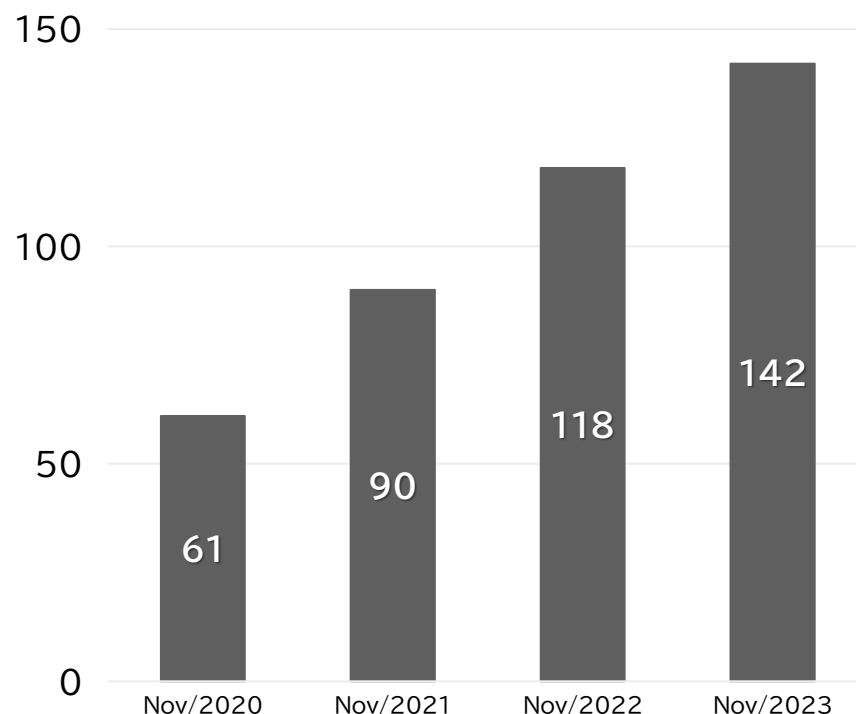
Changes in Number of Employees

(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 Our company plans to hire 22 people new graduates in FY2024.

Statement of Income (FY2023/11)

Statement of Income (FY2023/11)

Unit: thousand yen	FY2022/11	FY2023/11	+/- amount	+/- %
Net sales	3,256,855	 3,442,875	186,020	5.7%
Cost of sales	2,243,118	2,388,001	144,833	6.5%
Gross profit	1,013,736	1,054,874	41,137	4.1%
SG&A expense	395,823	411,278	15,455	3.9%
Operating profit	617,913	 643,595	25,681	4.2%
<i>(Operating profit rate)</i>	<i>(19.0%)</i>	<i>(18.7%)</i>		
Ordinary profit	626,244	 648,457	22,212	3.5%
<i>(Ordinary profit rate)</i>	<i>(19.2%)</i>	<i>(18.8%)</i>		
Profit	440,238	 473,829	33,590	7.6%
<i>(Profit rate)</i>	<i>(13.5%)</i>	<i>(13.8%)</i>		

Balance Sheets (FY2023/11)

Unit: thousand yen	FY2022/11	FY2023/11	+/- amount
Current assets	2,110,767	2,452,145	341,378
Fixed assets	170,732	164,315	△6,416
Total assets	2,281,500	2,616,461	334,961
Current liabilities	498,233	395,820	△102,413
Fixed liabilities	49,763	57,392	7,629
Total liabilities	547,996	453,212	△94,784
Total shareholders' equity	1,733,503	2,163,249	429,745
Total net assets	1,733,503	2,163,249	429,745
Total liabilities & net assets	2,281,500	2,616,461	334,961

Topics

Topics: Transition to holding company structure

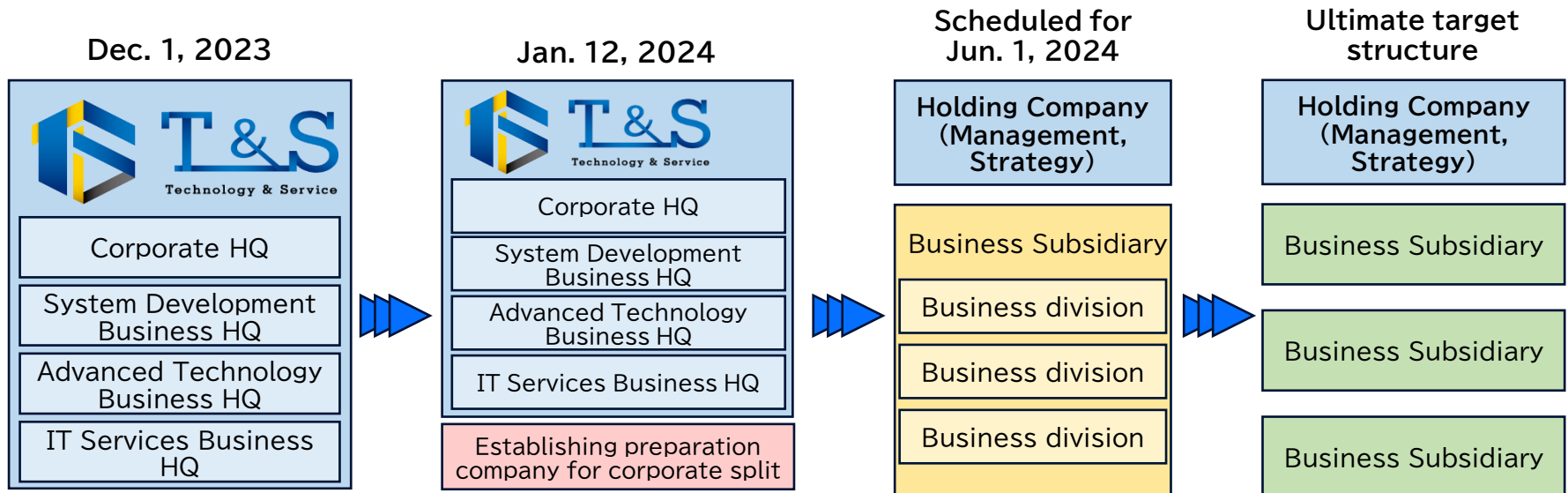
Our company has decided on **the transition to a holding company structure** during 2024.

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

Schedule

- ✓ Establishing preparation company for corporate split on Jan. 12
- ✓ Concluding absorption-type split agreement (scheduled for Jan. 30)
- ✓ Obtaining approval at the shareholders' meeting for the split contract (Scheduled for Feb. 28)
- ✓ Taking effect of the absorption-type split (scheduled for Jun. 1)



(Announced on January 12, 2024)

FY Earnings Forecast

FY2024/11 Full-year

FY Earnings Forecast

(theme) Moving forward the next stage

Transition from a business HQ structure to a holding company structure is expected on June 1, 2024

Unit: million yen	FY2023 (actual)	FY2024 (forecast)	+/- amount	+/- %
Net sales	3,442	3,770	327	9.5%
Operating profit	643	706	62	9.7%
Ordinary profit	648	707	58	9.0%
Net profit for fiscal year	473	481	7	1.5%

Company

All Business HQ are performing well. Inquiries status for development projects from existing customers remain strong. No major changes are expected in the cost structure, and the use of BP is expected to continue due to supplement technical personnel resources. On the other hand, in FY2024, the company will significantly increase the number of new graduates hired and strengthen its education system. Including mid-career hires, as in the past, we expect to see a sequential contribution to sales.

System Development Business HQ

Sales forecast are expected to remain strong, mainly due to ongoing projects from our major customers. We expect to maintain its order structure over the long term, as an increasing percentage of customers are shifting to system operation and maintenance contract after system development contract. We will increase our engineering resources by hiring mid-career personnel and using BP to acquire new projects not only from our main customers.

IT Services Business HQ

Production adjustments at semiconductor factories are downsizing towards an end, factories are operating stably, the market is expected to recover, and the supply of engineers for operation and maintenance services at factories is continuing. We will increase the hire of new graduates, and aggressively secure and educate appropriate personnel for the expansion in expected business area.

Advanced Technology Business HQ

We expect steady growth in the business centered on continued projects from existing customers and its lateral expansion, mainly in image recognition AI projects. We plan to expand projects related to generative AI and the latest AI processors, which started in the previous fiscal year, and expect to expand business by utilizing more advanced technologies. We will also focus on acquiring new customers more aggressively than in the previous fiscal year.

Shareholder Returns

Dividend ratio for FY2024/11 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 FY2024/11, the Company plans to pay a dividend of 7.00 yen per share (up 0.45 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)
FY2023/11 (Planned)	6.55yen	10.5%	24.3%
FY2024/11 (Forecast)	7.00yen	11.0%	20.2%

Contact

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